vodafone

Sir Christopher Gent
Chief Executive
Vodafone Group Plc

Agenda

- Summary of Results } Sir Christopher Gent
- Analysis of Results
- Group Funding } Ken Hydon
- Progress on KPIs
- Products and Services } Julian Horn-Smith
- Outlook and Q&A } Sir Christopher Gent

Results Overview

- Exceeded market expectations
- Good turnover growth
- Excellent EBITDA margin improvement
- Strong operating profit*, PBT* and EPS*
- Very good proportionate EBITDA growth
- Outstanding free cash flow generation

*Before goodwill and exceptional items

Statutory Highlights

	Sep 02	Change[2]
Group Turnover	£14.9bn	+67%
Group Operating Profit[1]	£4.6bn	+37%
Profit Before Taxation[1]	£4.2bn	+41%
Adjusted EPS[1]	3.28 pence	+31%

1 Before goodwill and exceptional items
2 Change on same period last year

Proportionate Highlights

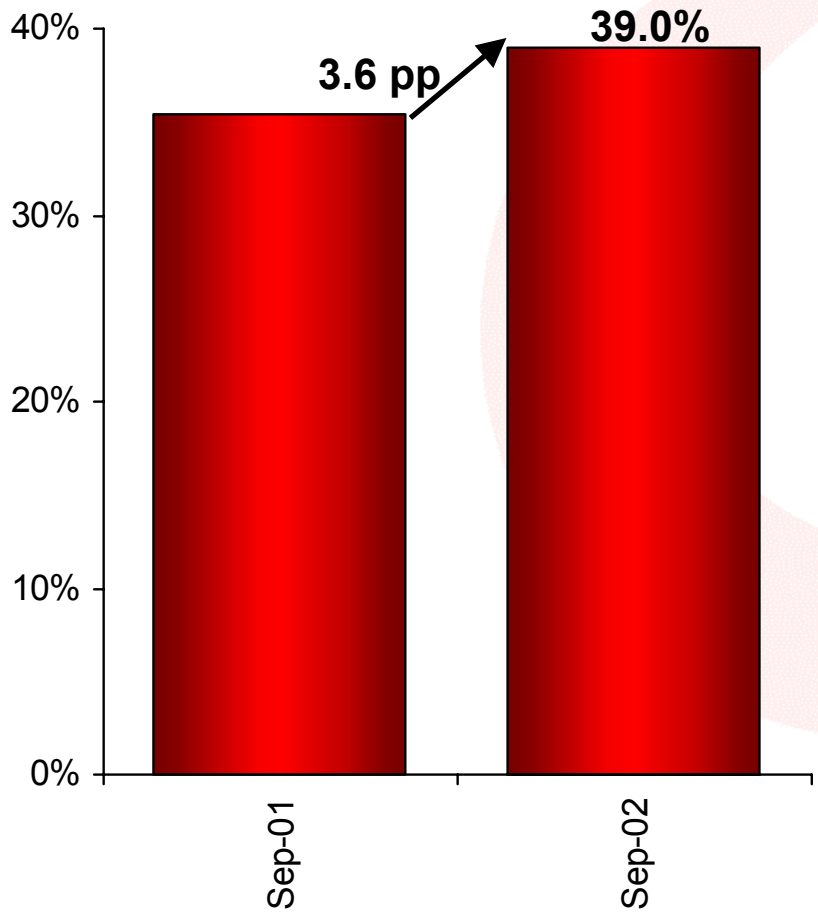
	Sep 02	Change[1]
Turnover	£16.5bn	+15%
EBITDA[2]	£6.2bn	+30%
Registered customers	107.5m	+12%

1 Change on same period last year

2 Before exceptional items

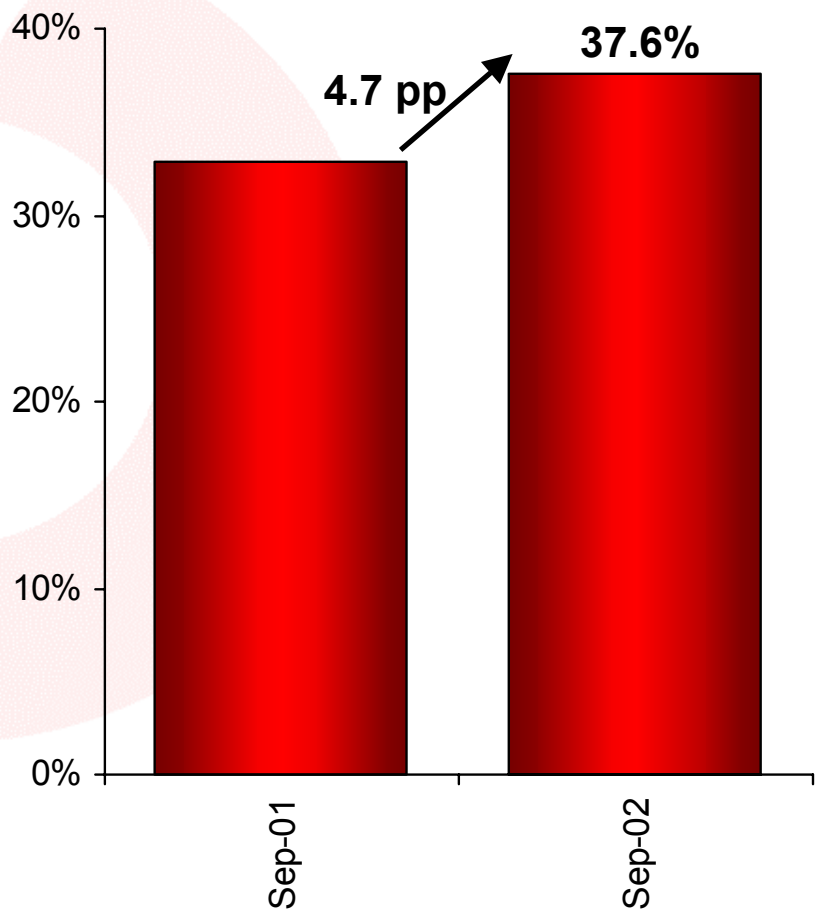
Margin Improvement

Proportionate Mobile EBITDA Margin*



* before exceptional items

Proportionate Group EBITDA Margin*



* after exceptional items

Cash Flow Highlights

- Strong turnover
- Improved margins
- Lower capex

- Free cash flow of £2.9bn
- Capex £2.7bn; Capital efficiency 17.9%
- Lower group net debt of £10.7bn

Operational Highlights

Customer Growth

- Ahead of our expectations:
  - Better organic growth
  - Stake increases

ARPU

- Up in some key markets
- In line with our expectations

Rise in Data Revenues

- 13.2% for year to September
- 14.3% in month of September

EBITDA Margin Performance

- Better overhead management
- Control over acquisition/retention costs
- J-Phone 32.0% up from 20.5%

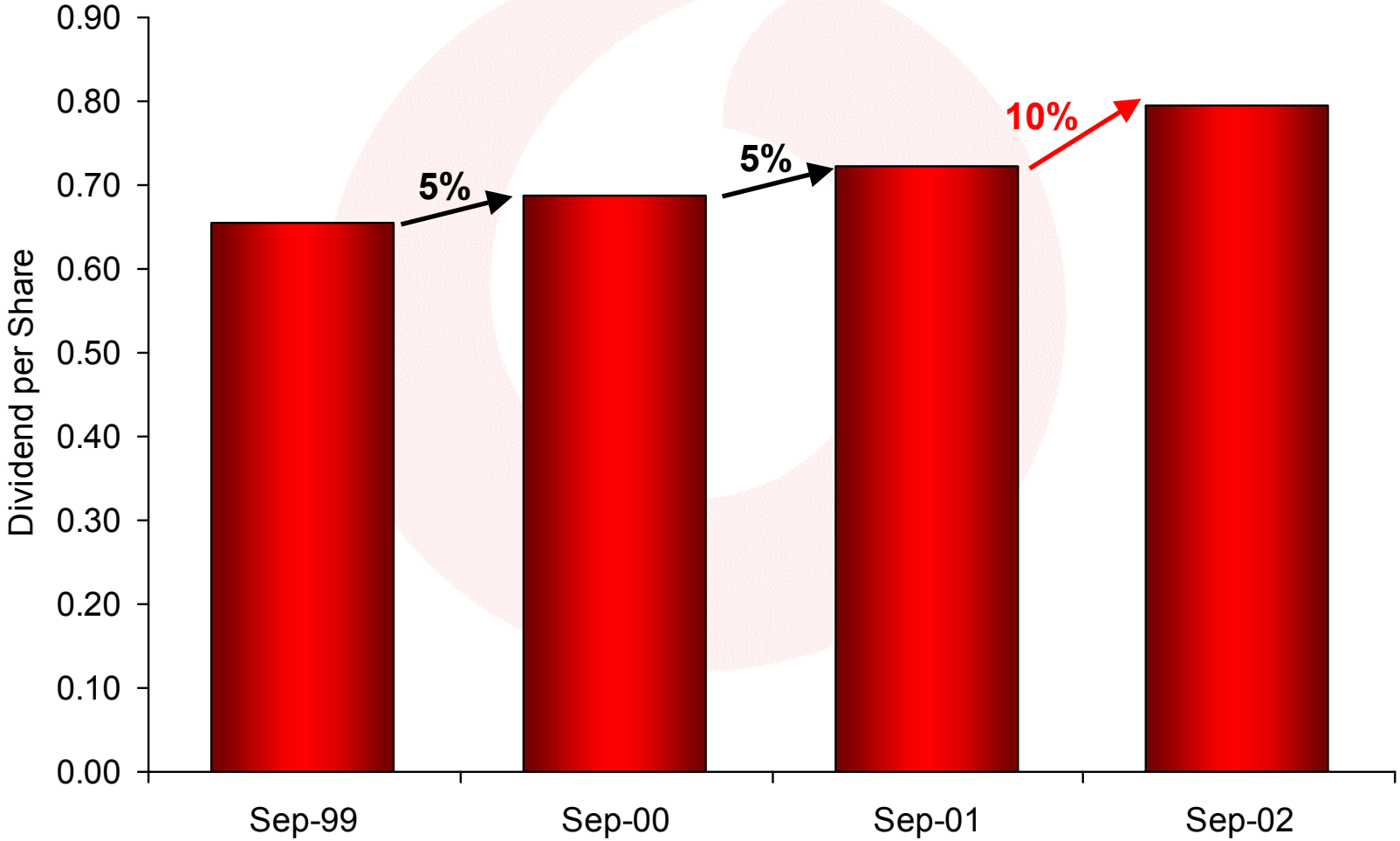
Services

→ Launch of Vodafone live! and Vodafone Mobile Office

Acquisition Highlights

- Agreement to acquire BT's and SBC's stakes in Cegetel for €6.3bn
  - Management Control
  - Pro-rata offer to Vivendi renewed at same price; offer expires end of pre-emption period: 10 Dec
- Stake increases:
  - Portugal: 50.9% - 61.4%
  - Sweden: 71.1% - 74.7%
  - Buy out of minority in Vodafone AG

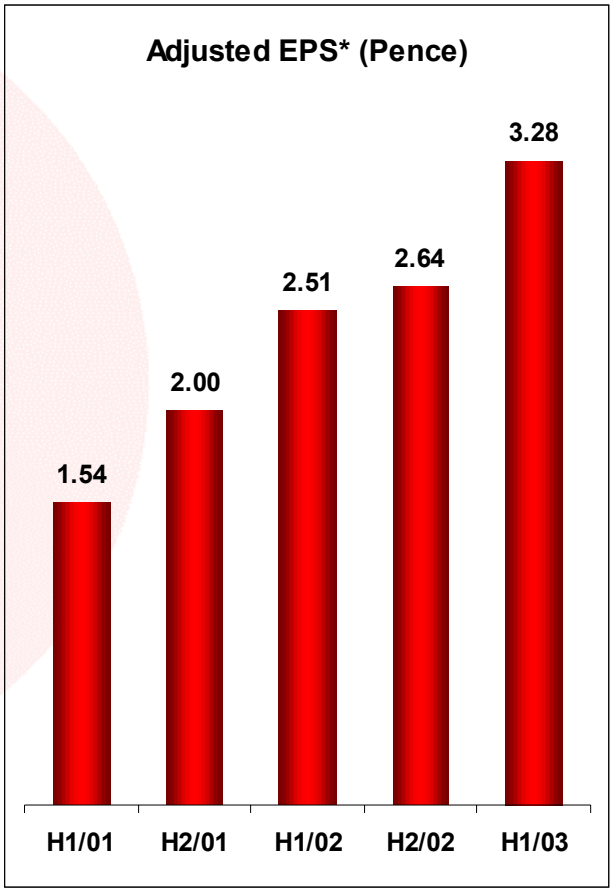
Dividend Growth



Ken Hydon
Group Financial Director
Vodafone Group Plc

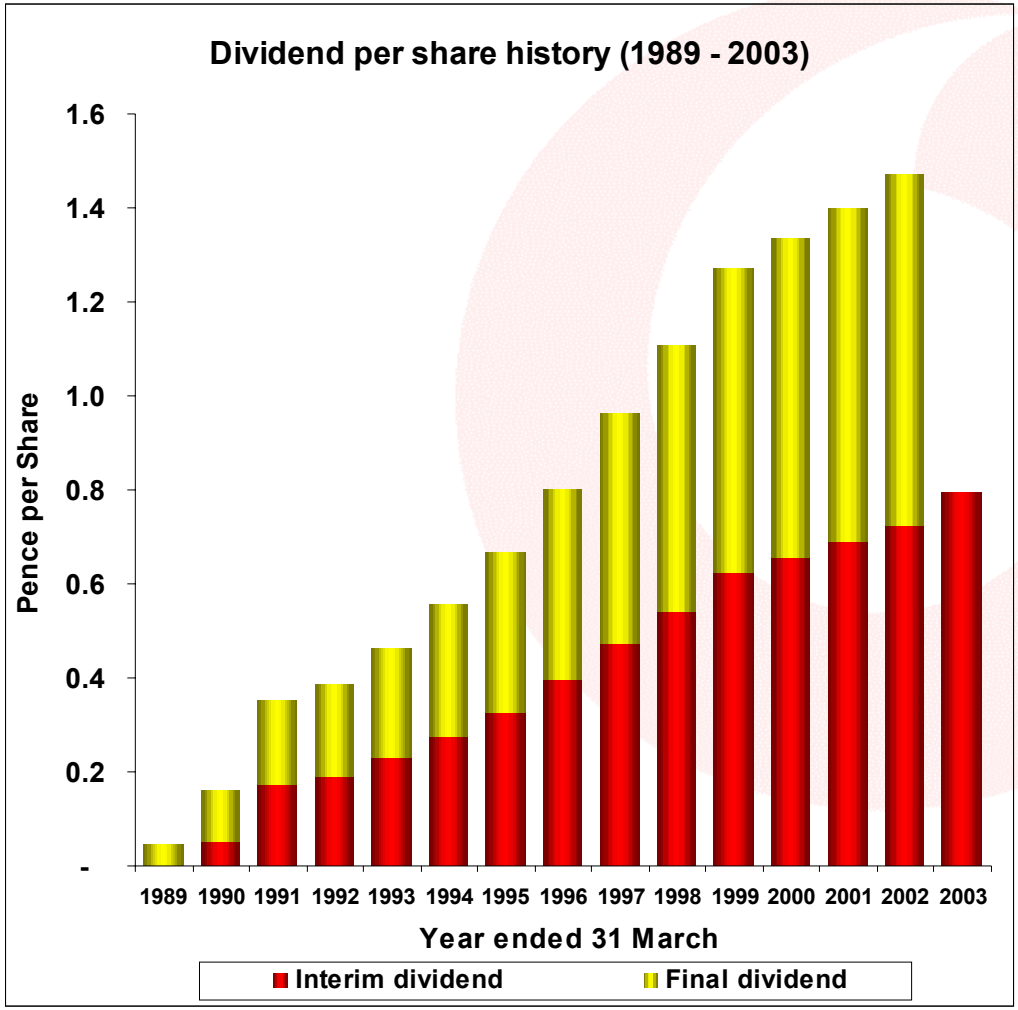
Statutory Results

	6 months to 30 September		
	2002 £m	2001 £m	Increase %
Turnover	14,898	8,906	67
Group operating profit*	4,640	3,392	37
Net interest payable	(390)	(381)	2
Profit before tax*	4,250	3,011	41
Tax	(1,602)	(1,086)	
Goodwill amortisation	(6,837)	(6,697)	
Exceptional items	267	(4,763)	
Minority interests	(414)	(200)	
Loss for the period	(4,336)	(9,735)	
Basic loss per share	(6.36p)	(14.36p)	
Adjusted earnings per share*	3.28p	2.51p	



- Before amortisation of goodwill and exceptional items as detailed in notes 3 & 4 of the Interim Results published on 12 November 2002

Dividends



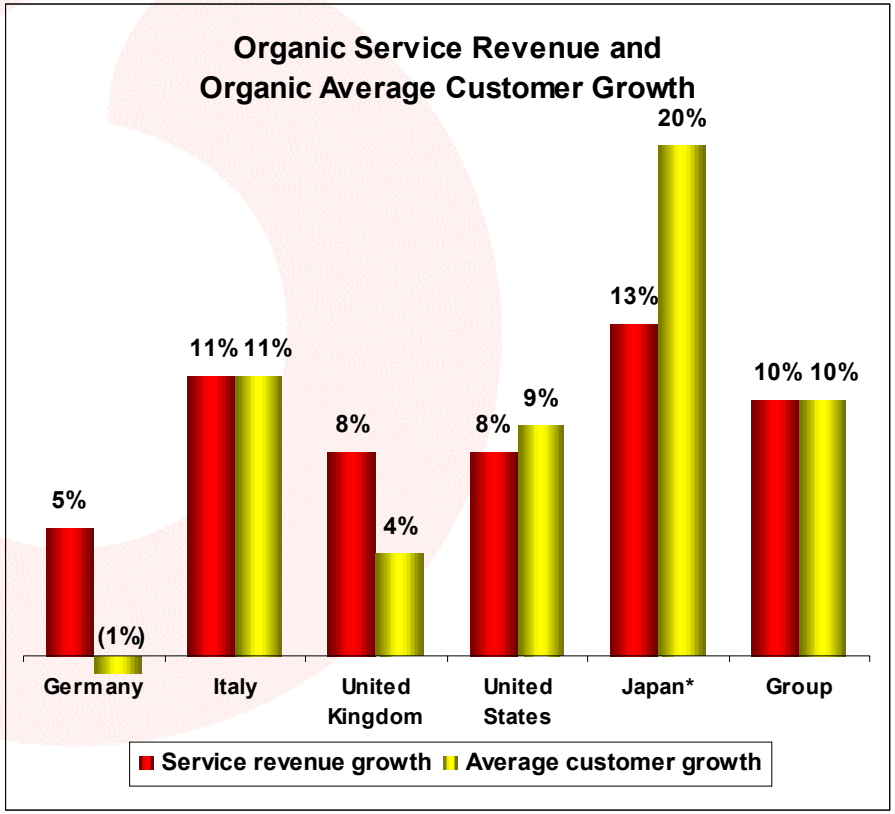
- **Growth based on:**
  - Revenue
  - Earnings
  - Free Cash Flow
- **Interim dividend**
  - 10% increase
  - Dividend of 0.79464p
  - Total > £0.5bn

Proportionate Results

Mobile Turnover

6 Months to 30 September

	2002 £m	Total Growth %
Germany	2,246	9
Italy	1,598	20
United Kingdom	2,000	11
Other Europe	3,315	23
Total Europe	9,159	16
Americas	2,907	2
Japan	2,602	29
Other Asia Pacific	553	11
Middle East & Africa	238	(6)
Total Mobile	15,459	15



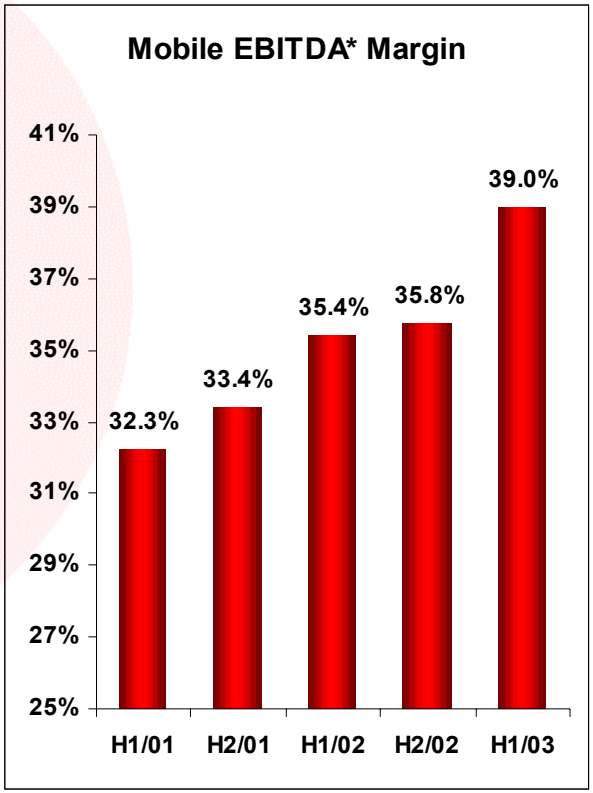
* Japan adjusted to rephase the March 2002 retrospective inter-operator fee reduction

Proportionate presentation is not a recognised measure under UK GAAP, is not intended to replace it and is only provided as supplemental data to facilitate a more detailed understanding and assessment of the consolidated financial statements prepared in accordance with UK GAAP.

Proportionate Results

Mobile EBITDA*

	6 Months to 30 September			
	2002 £m	Total Growth %	Organic Growth %	Margin %
Germany	1,038	11	8	46.2
Italy	789	20	17	49.4
United Kingdom	739	31	31	37.0
Other Europe	1,300	37	25	39.2
Total Europe	3,866	25	19	42.2
Americas	1,010	1	6	34.7
Japan	833	102	58	32.0
Other Asia Pacific	209	36	27	37.8
Middle East & Africa	109	1	36	45.8
Total Mobile	6,027	26	21	39.0



* Before exceptional items

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Proportionate Results

Other Operations

	6 Months to 30 September		
	2002 £m	2001 £m	Growth %
Turnover			
- Europe	380	381	-
- Asia	678	453	50
Total Turnover	1,058	834	27
EBITDA*			
- Europe	(2)	(32)	N/A
- Asia	178	31	474
Total EBITDA*	176	(1)	N/A

Other Operations:

- Arcor
- Japan Telecom
- Vizzavi
- Cegetel

* Before exceptional items

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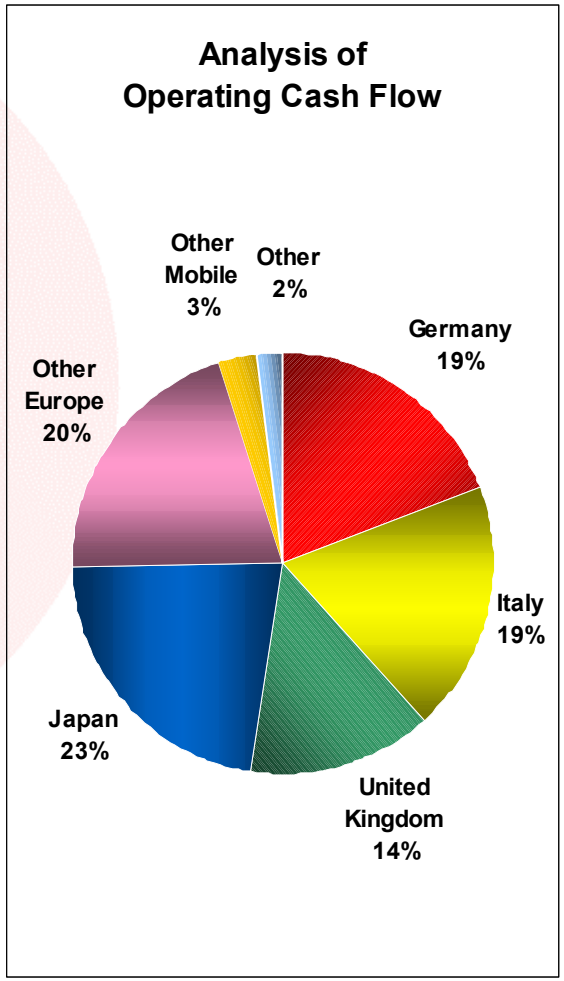
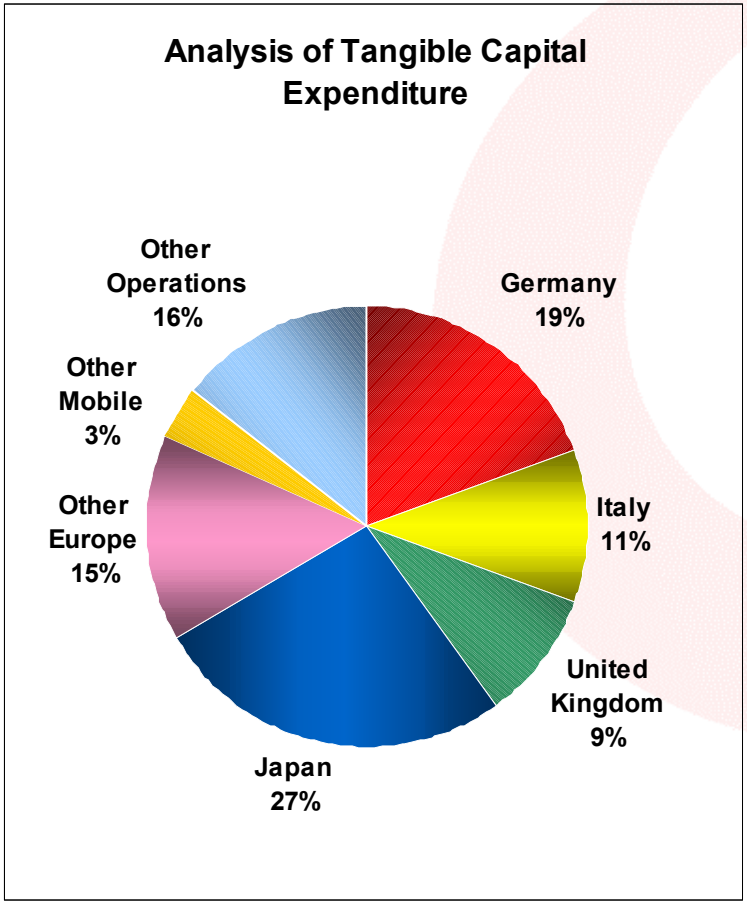
Cash Flow

	6 months to 30 September		
	2002 £m	2001 £m	Increase %
Operating cash flow	5,676	3,640	56
Capital expenditure	(2,670)	(1,781)	50
Licences	(59)	(223)	(74)
Operating free cash flow	2,947	1,636	80
Tax paid	(154)	(545)	(72)
Net interest paid	(211)	(449)	(53)
Dividends received & other	296	(1)	N/A
Free cash flow	2,878	641	349
Acquisitions	(1,600)	(8,593)	
Disposals	686	2,320	
Share placement	-	3,510	
Group dividends	(511)	(486)	
Other	(116)	90	
Net debt decrease/(increase)	1,337	(2,518)	



Tangible Capital Expenditure



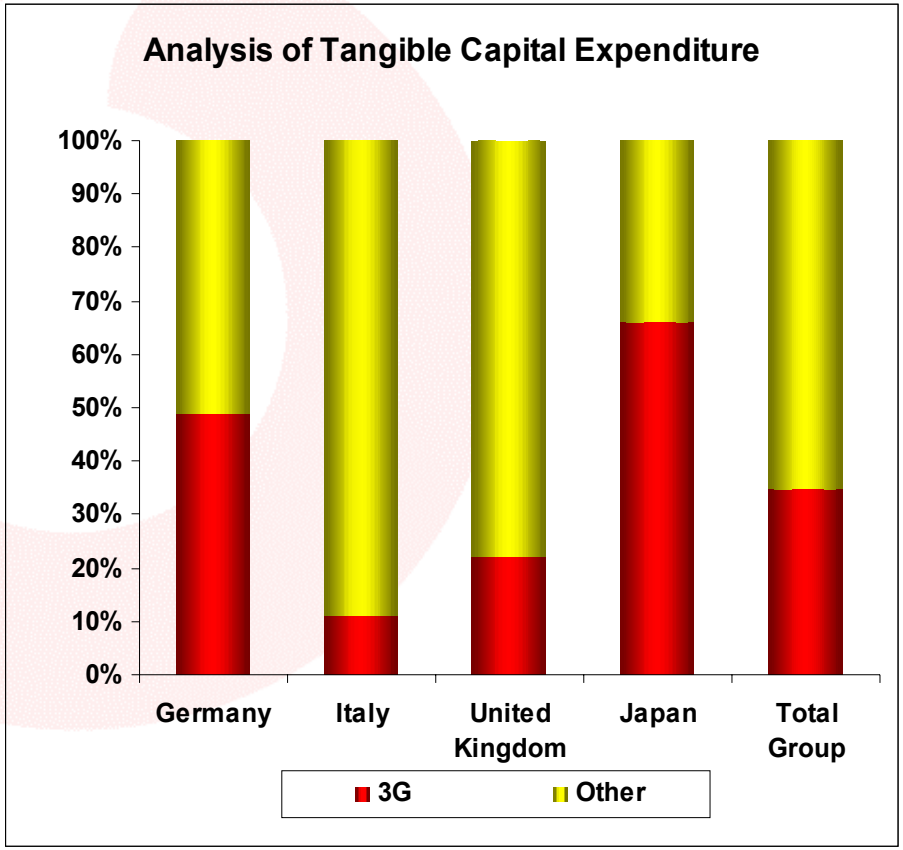
September 2002:

- £2.7 billion
- Excludes licences
- Capitalised internal costs < 5%
- 20% on 3G

Tangible Capital Expenditure

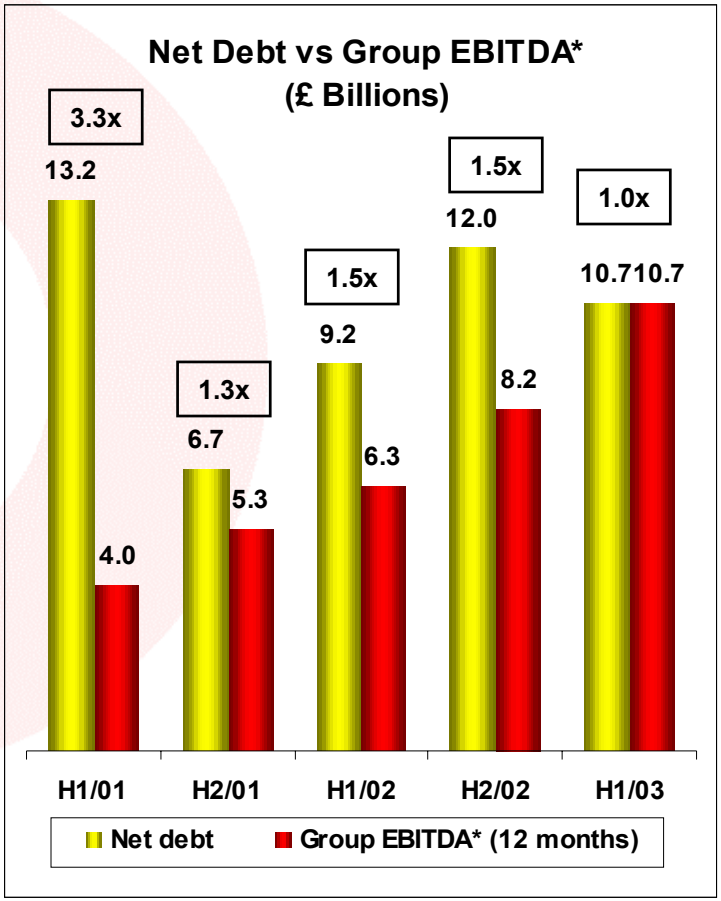
March 2003:

- > £5.5 billion
- Savings:
  - Rephasing
  - Efficiencies
- 35% on 3G



Net Debt

- £10.7 bn at 30 September 2002
- 19% of market capitalisation
- 2002/3 transactions:
  - France (41.0%) - £4.0 bn
    (subject to pre-emption)
  - Spain (6.2%) - £1.3 bn
- Committed to single 'A' credit rating
- Investment appraisal



* Before exceptional items. Includes dividends received from joint ventures and associates.

Summary

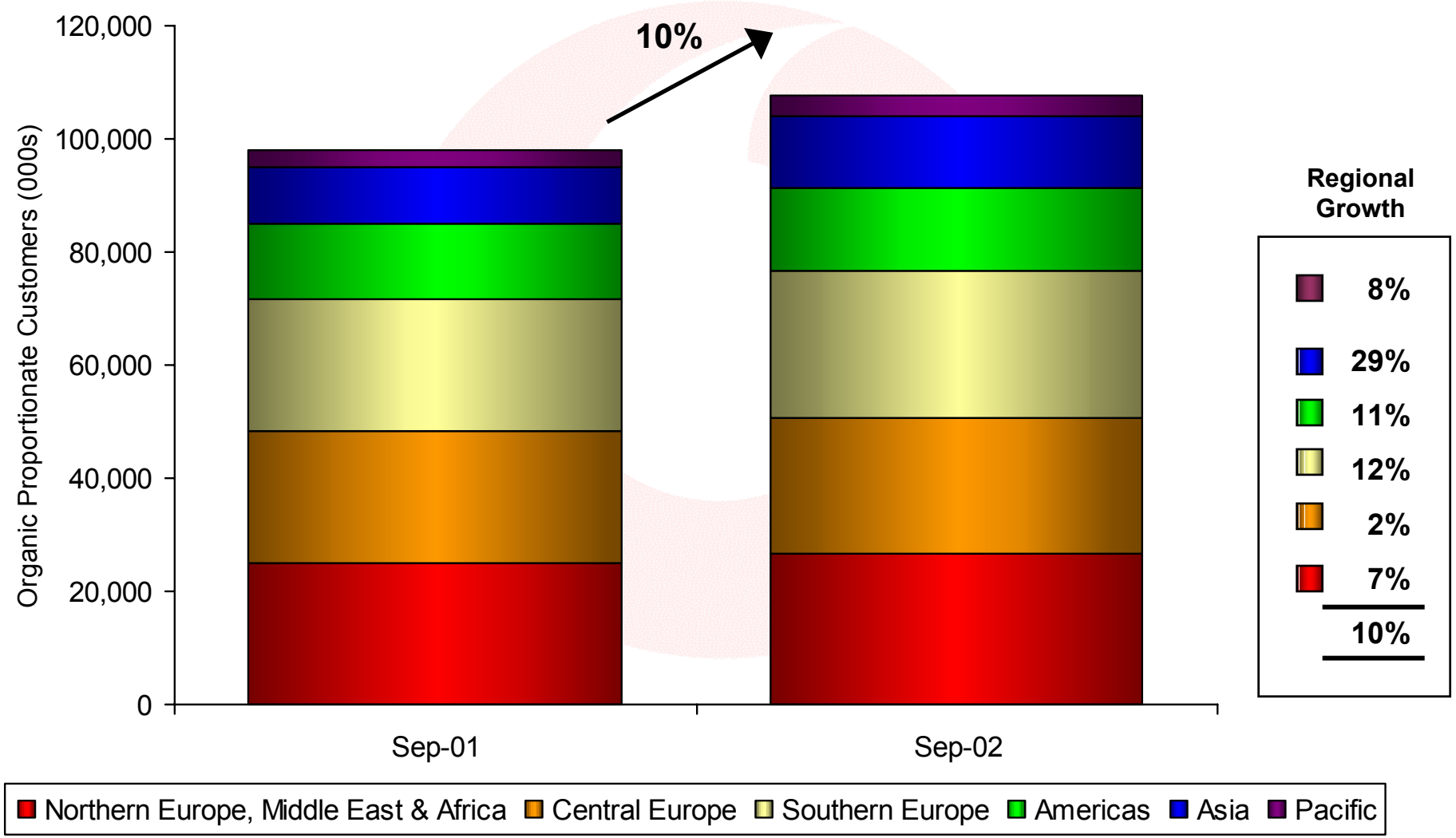
- **Strong growth:**
  - **Service revenue**
  - **Adjusted earnings per share**
  - **Operating free cash flow**
- **Financial strength**
- **Returns to shareholders**

Julian Horn-Smith
Group Chief Operating Officer
Vodafone Group Plc

Excellent Operating Performance

- Proportionate revenue up 15%
- Good customer growth
- Higher usage levels
- New services
- Improved customer mix
- Improved EBITDA margins
- Strong cash flow

Organic Proportionate Customer Growth



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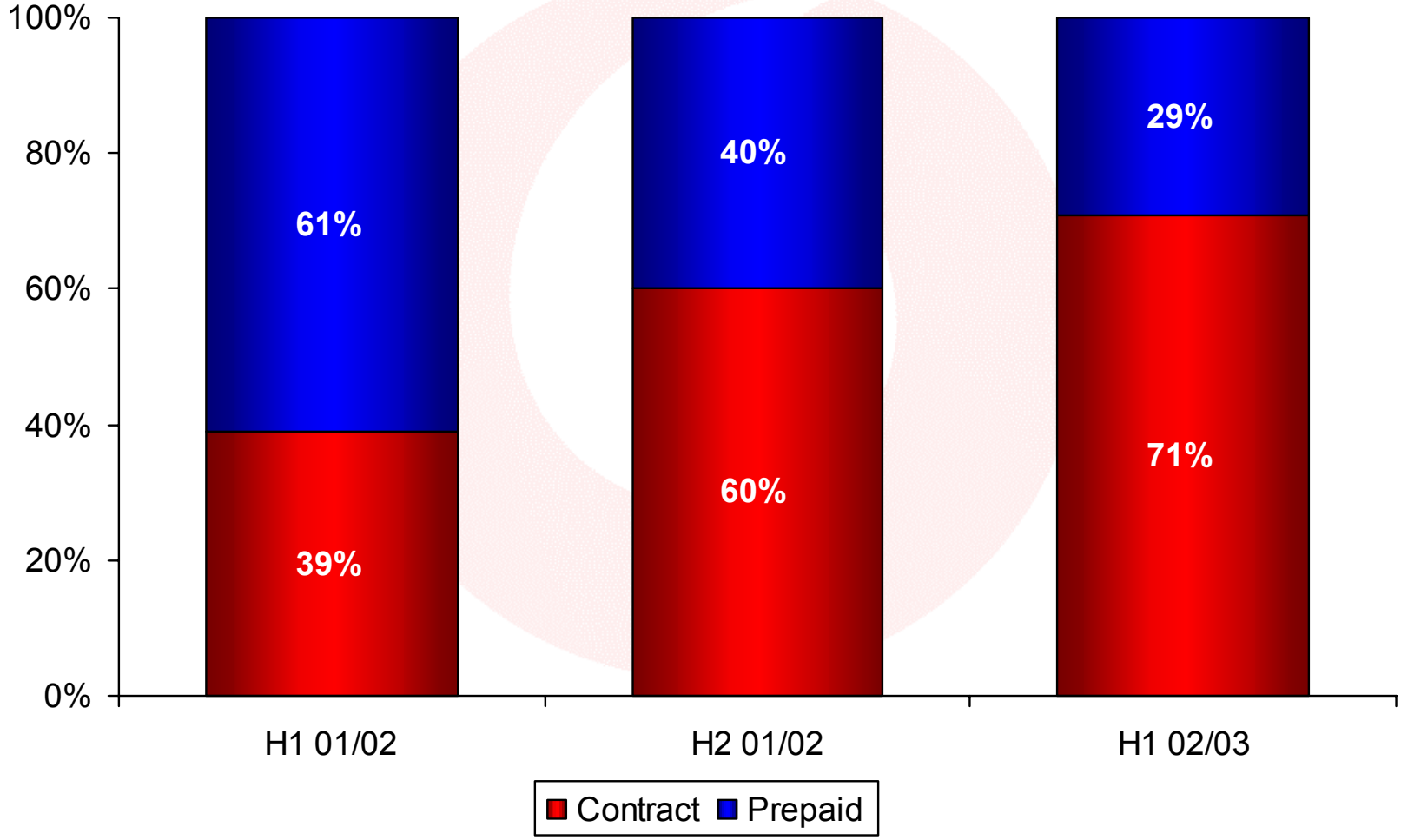
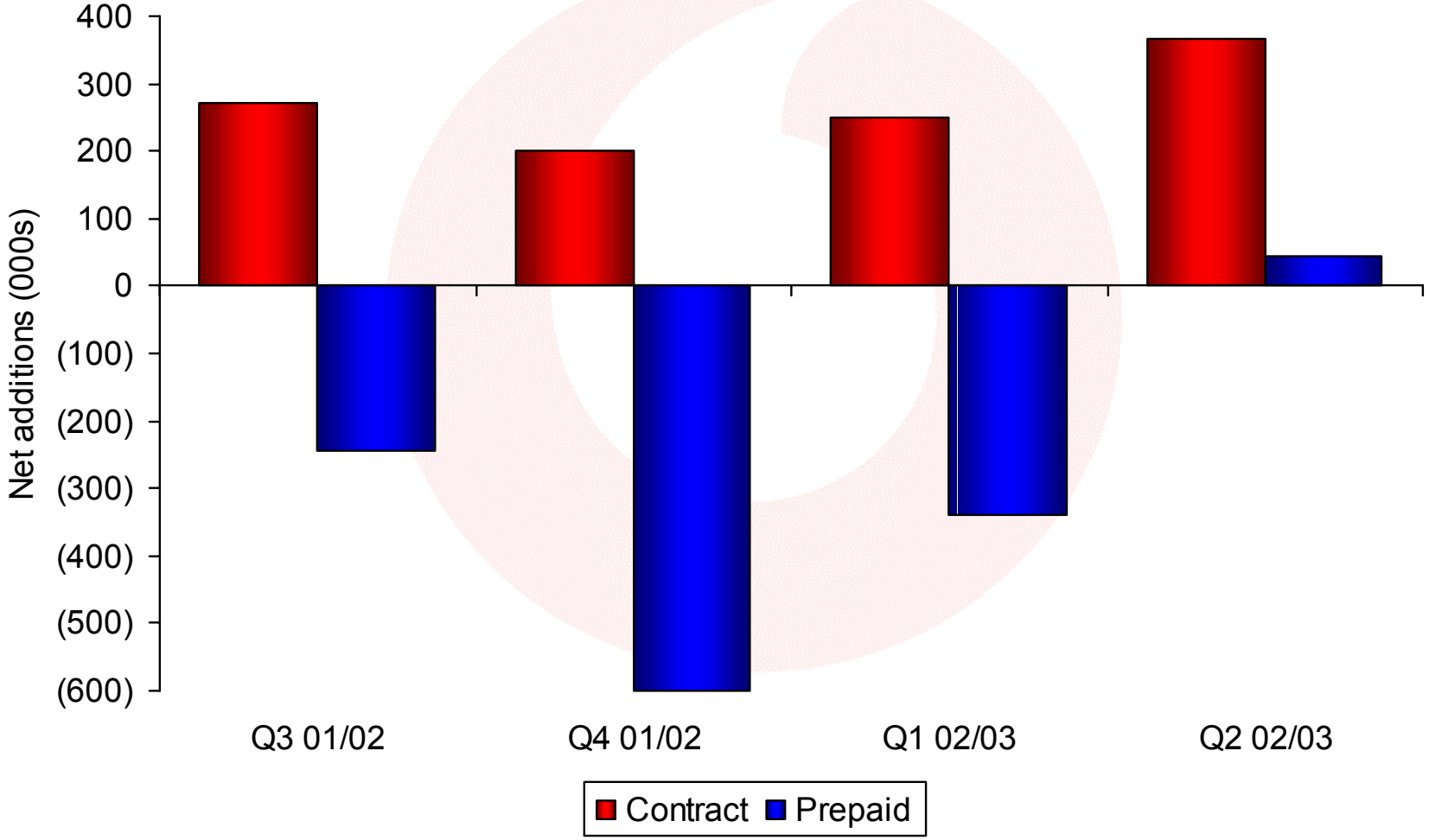
Improved Customer Mix*

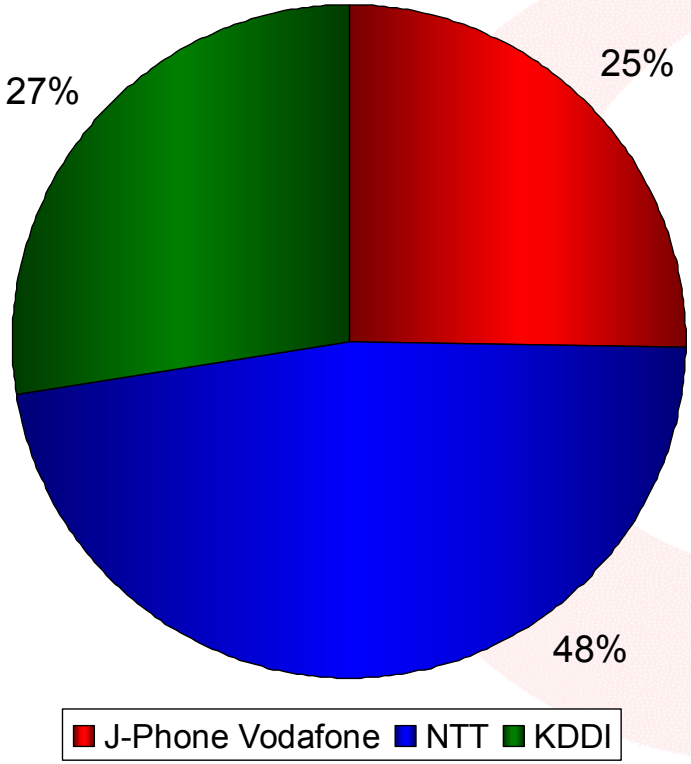


* All subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation

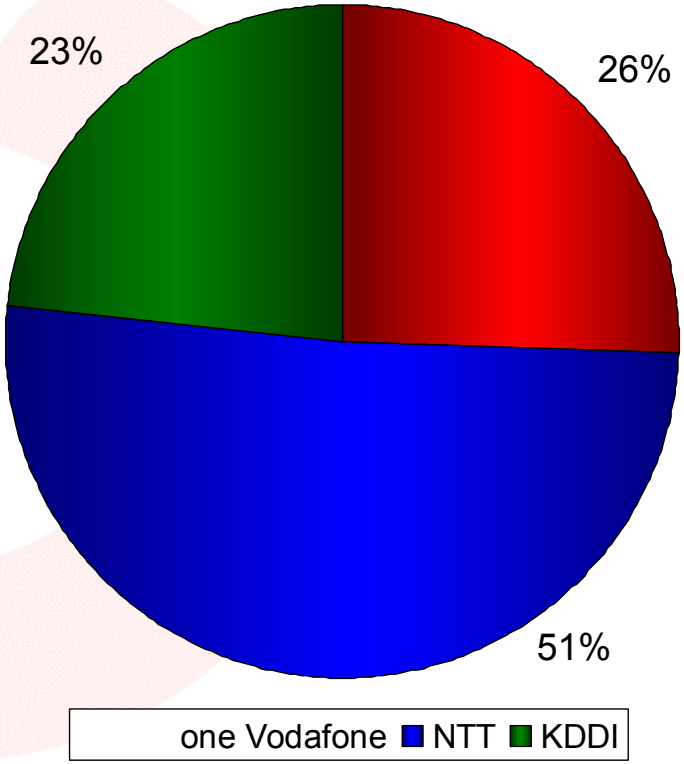
Germany Net Additions



Japan Gross Additions

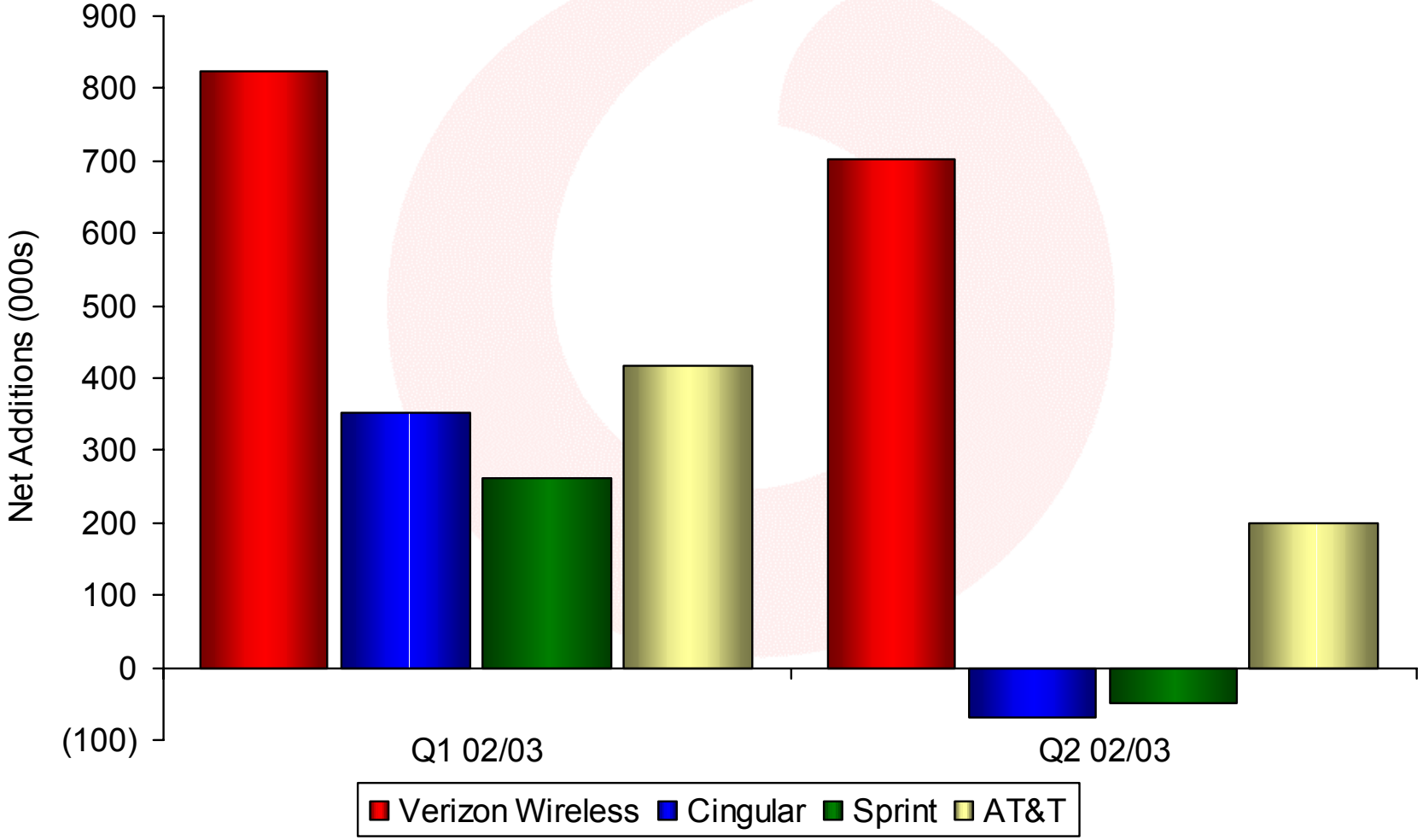


Q1 02/03

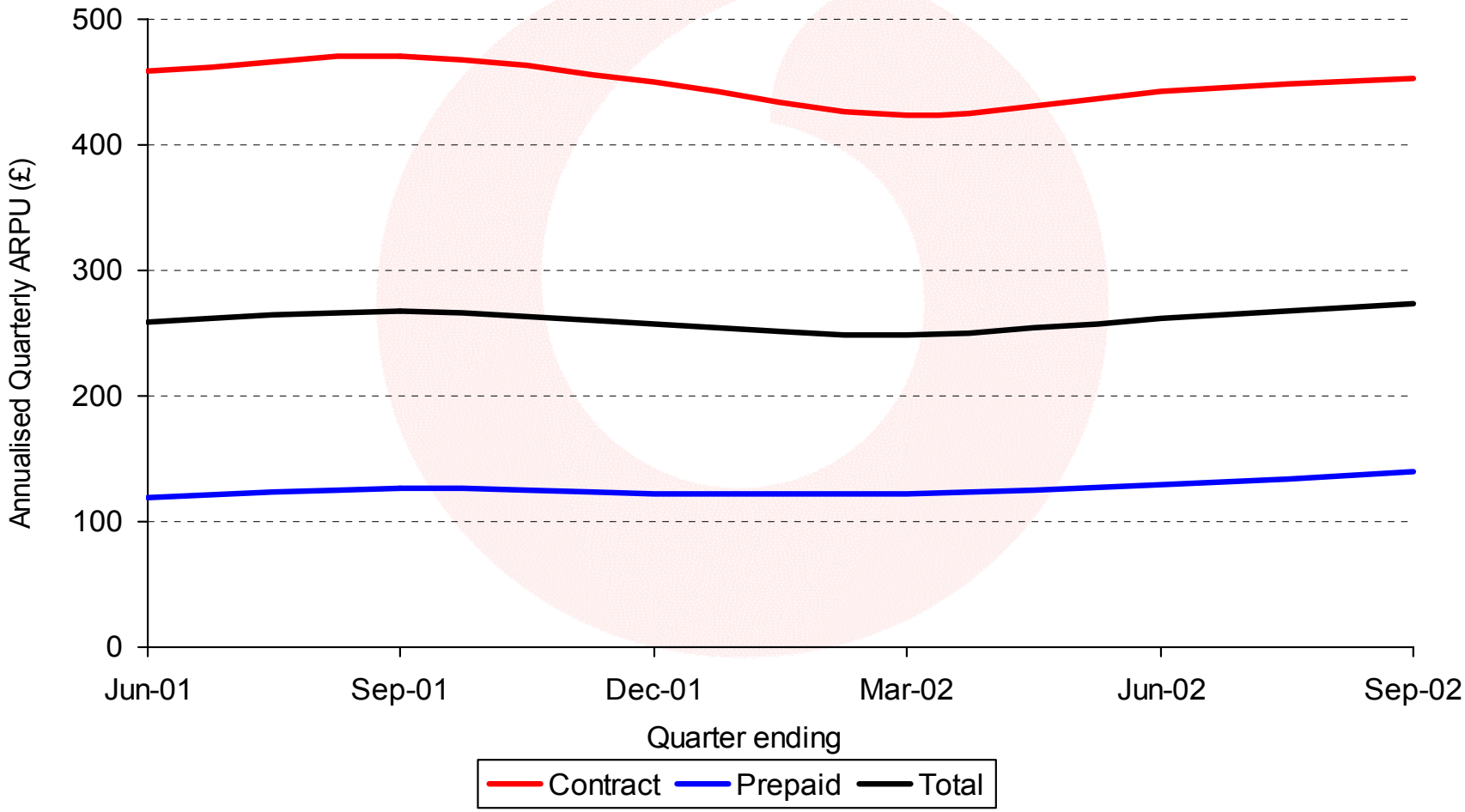


Q2 02/03

US Net Customer Additions

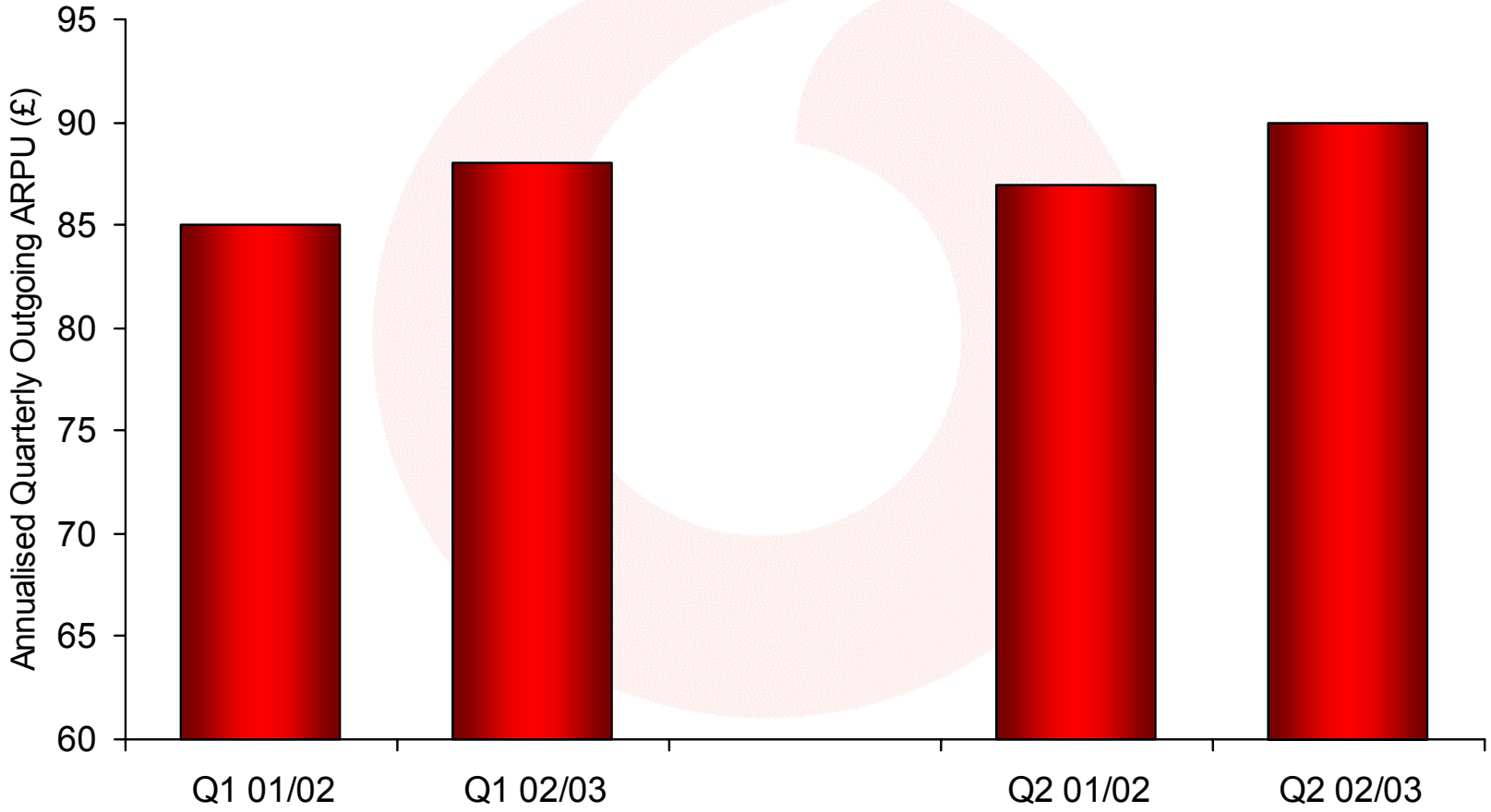


Annualised Quarterly ARPU*



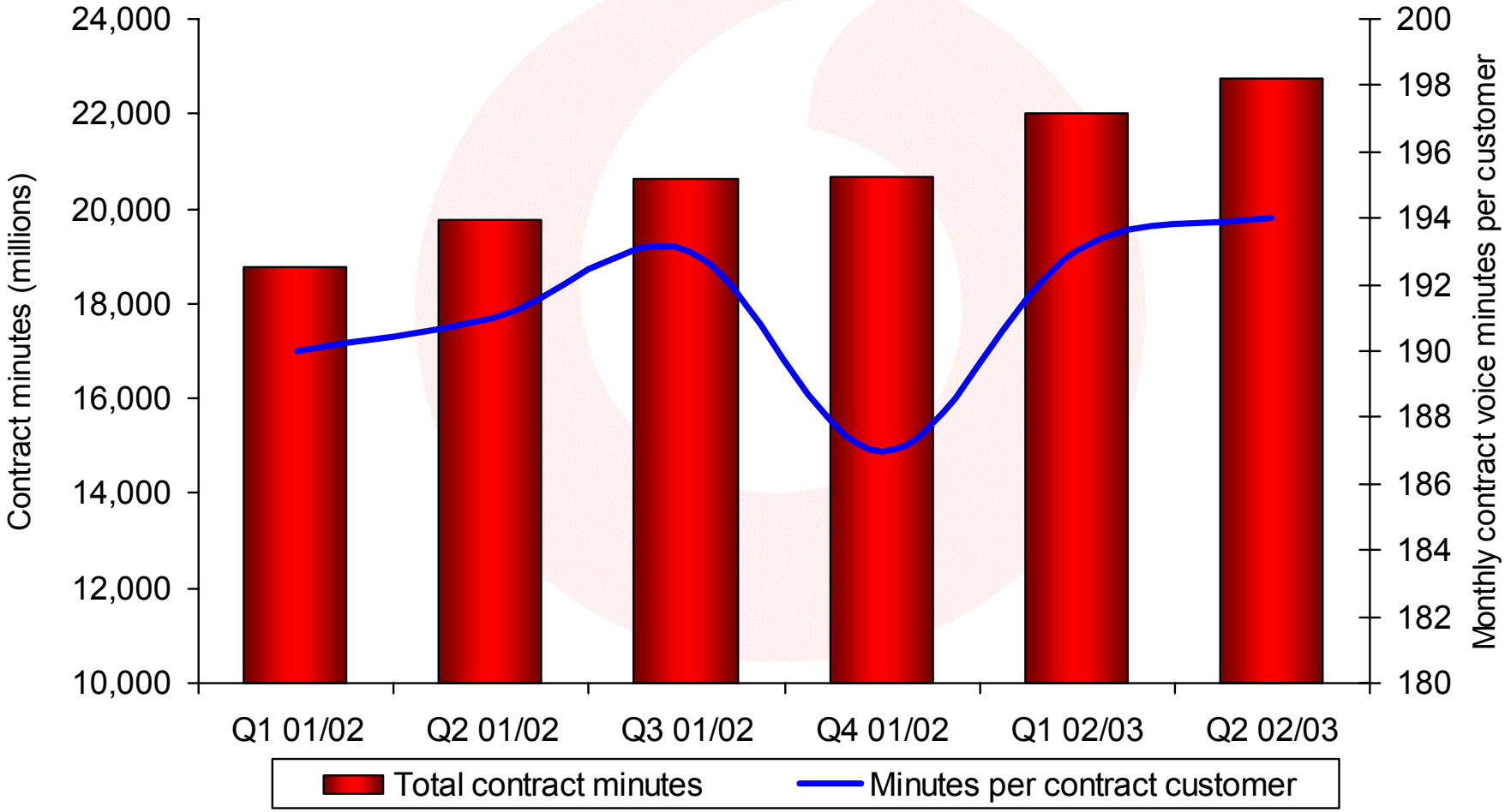
*** All subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation**

Outgoing ARPU*



*** Subsidiaries over 65% penetration**

Contract Minutes and Usage*



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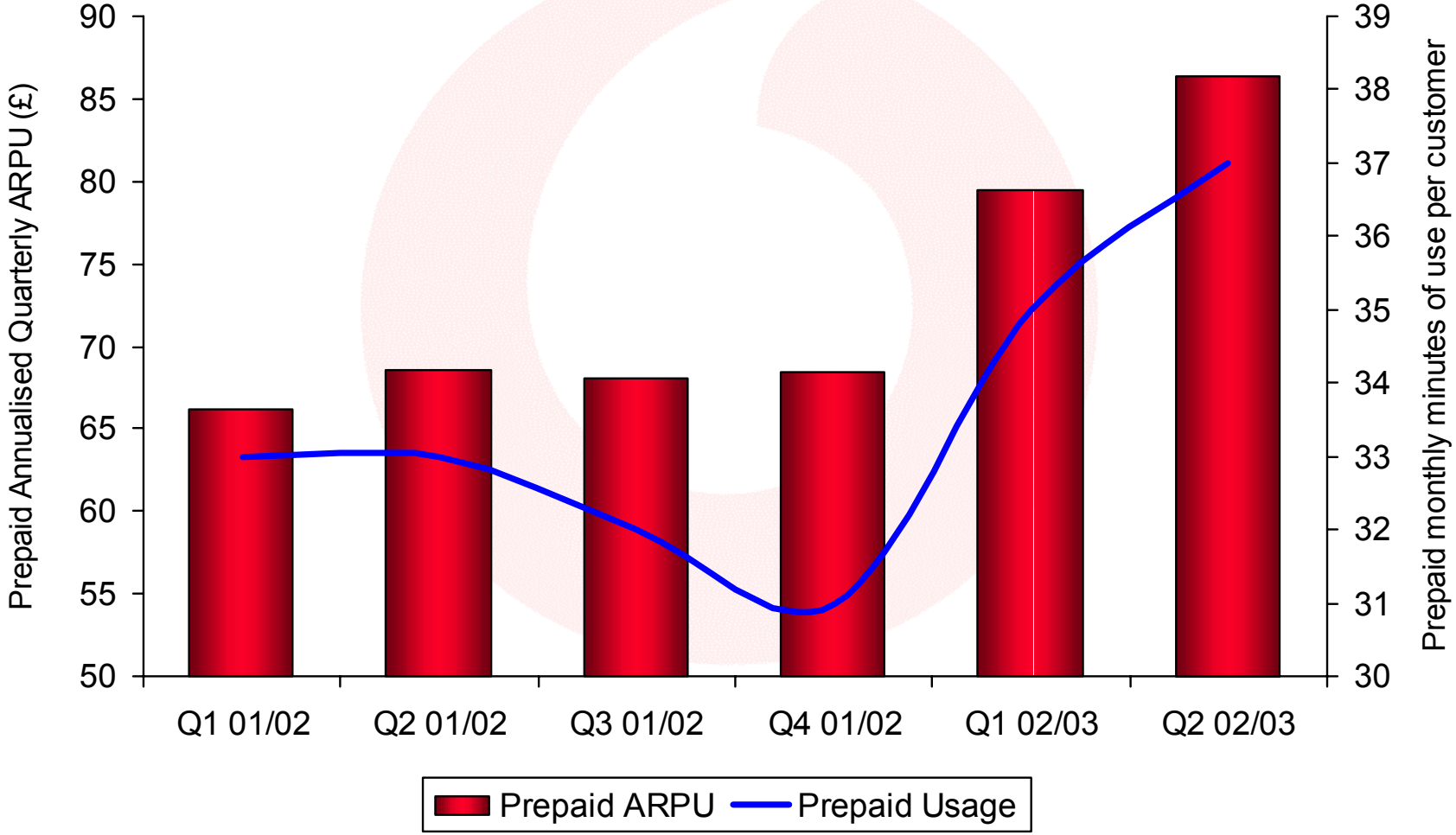
Germany

Prepaid ARPU & Usage



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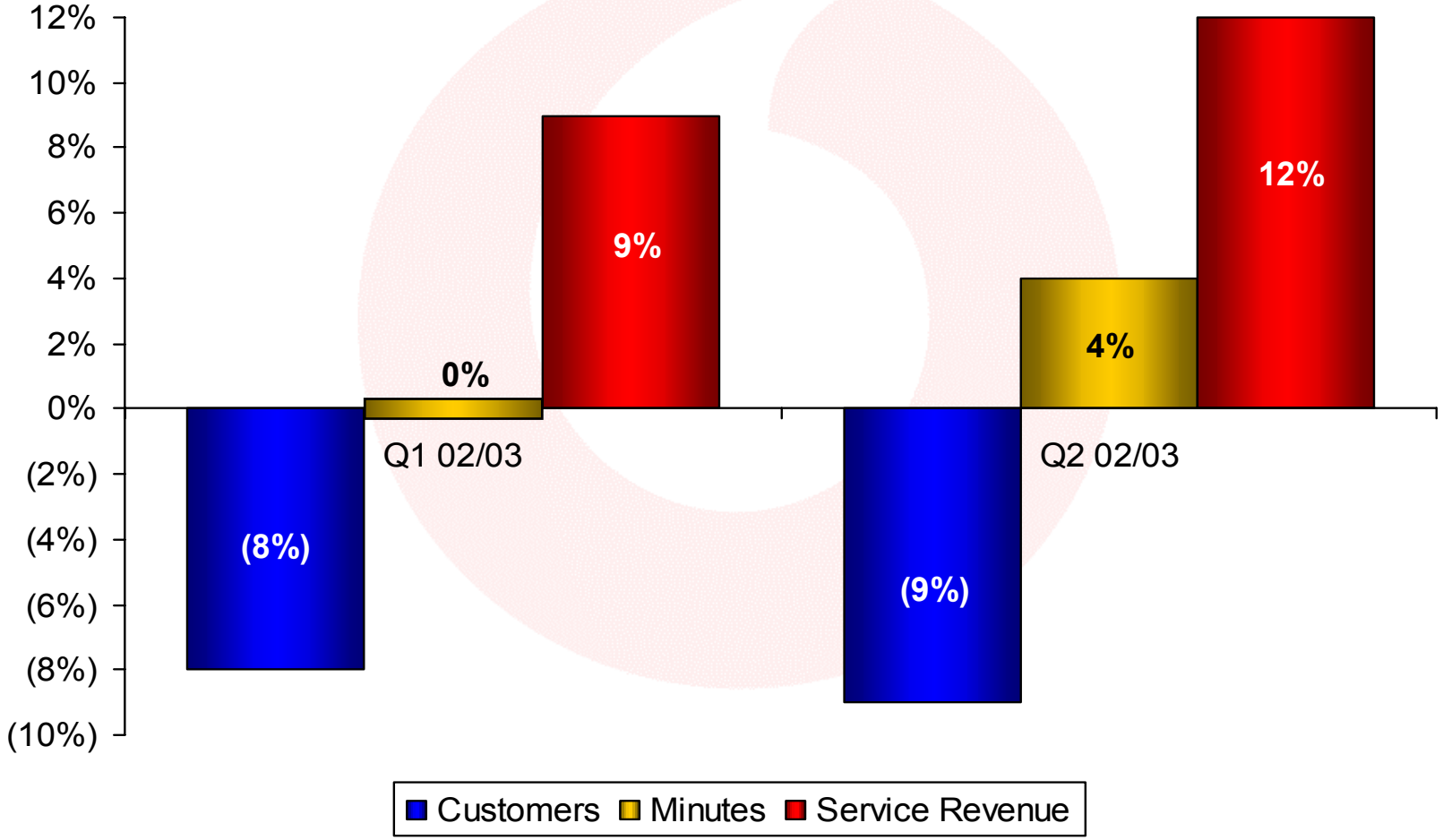
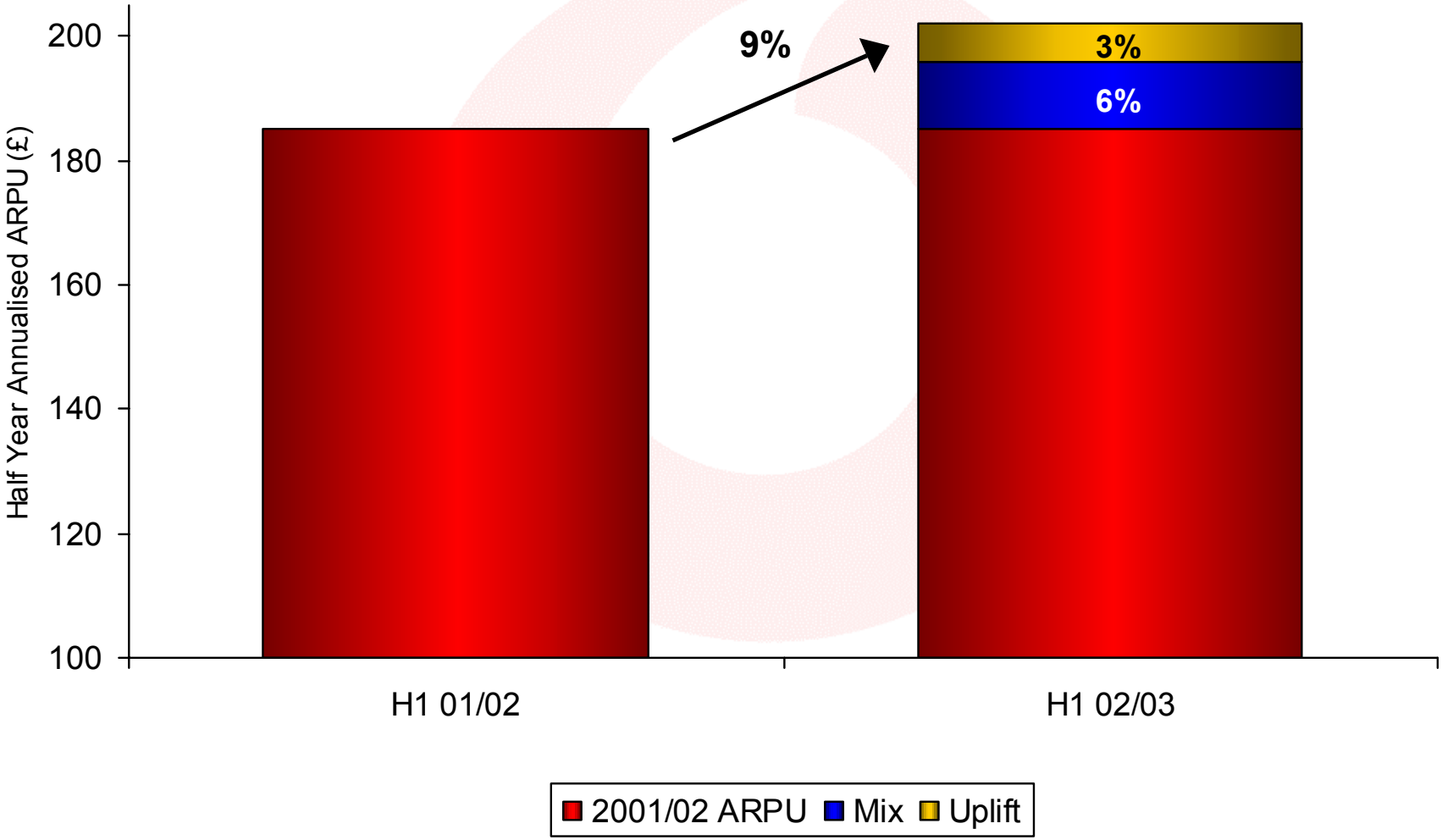
Germany

Year on Year movements



Germany

Half Year Annualised ARPU



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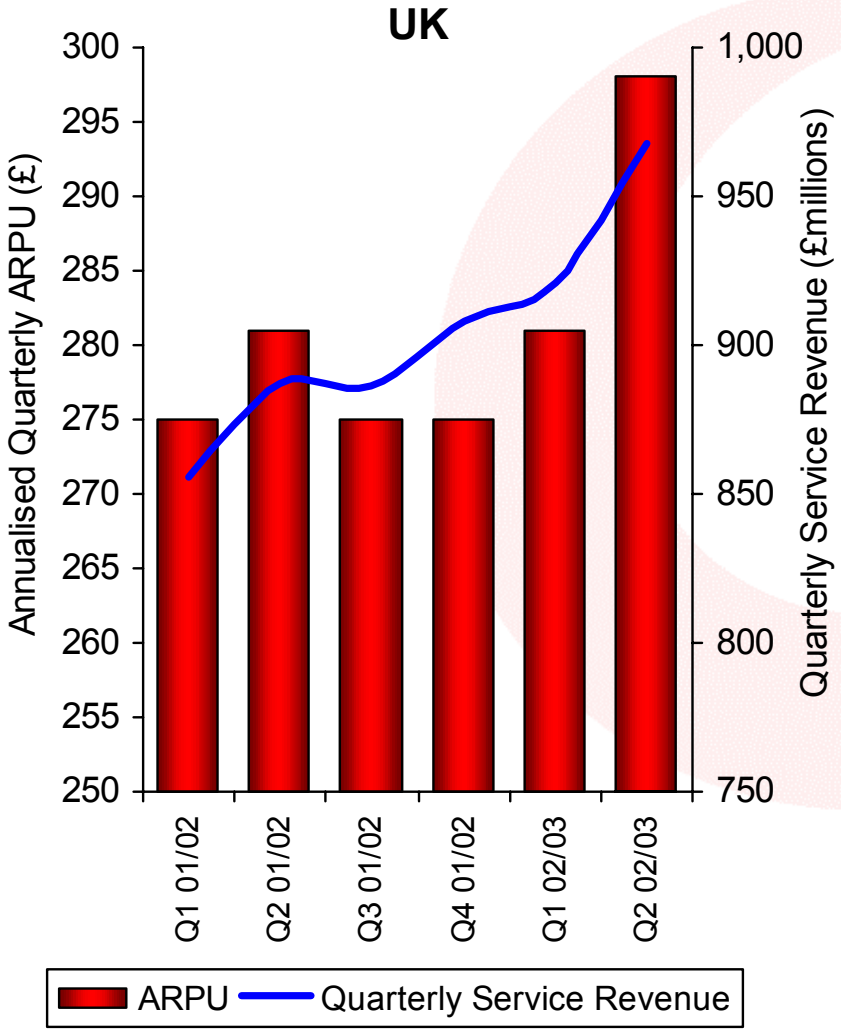
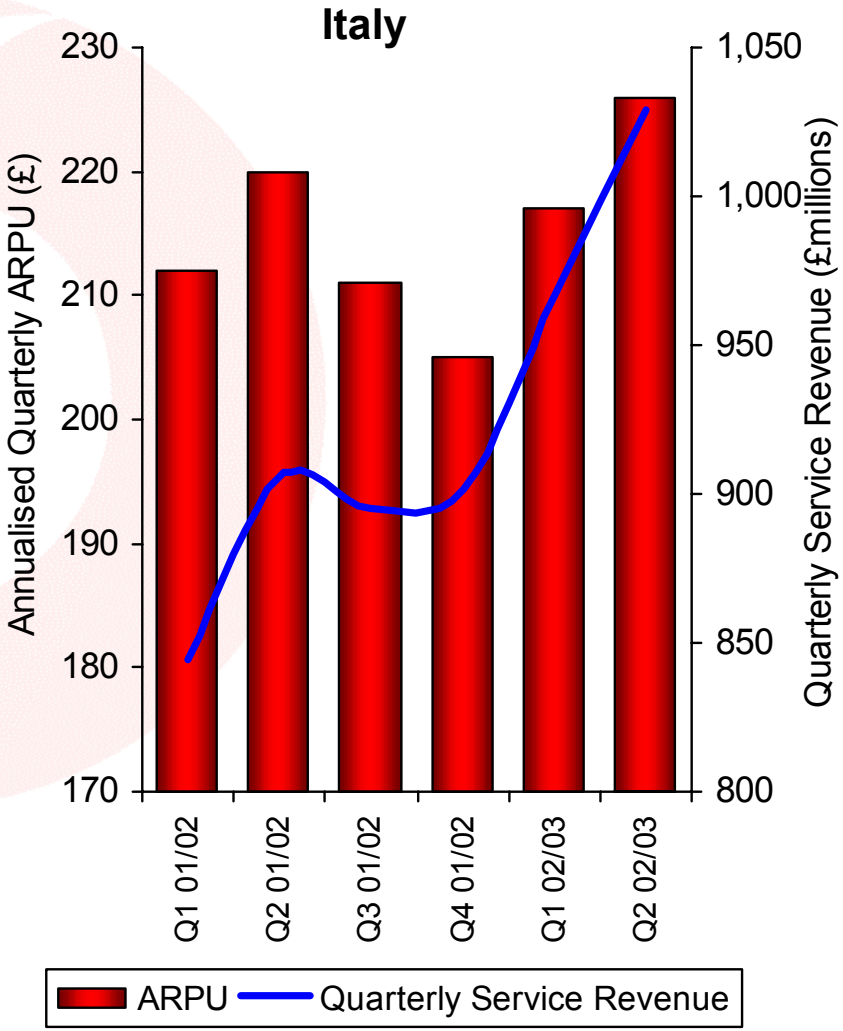
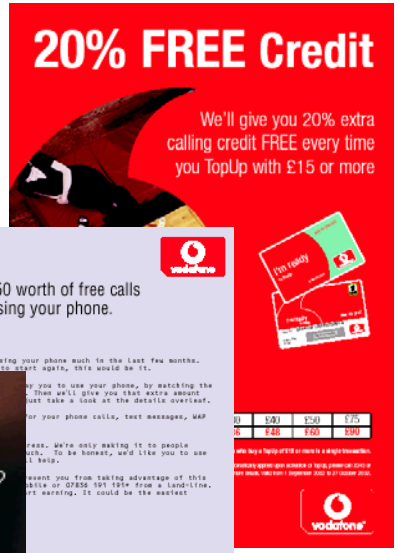
ARPU and Service Revenue

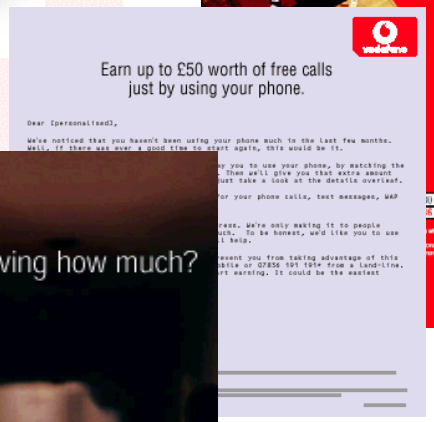
Other Major Markets

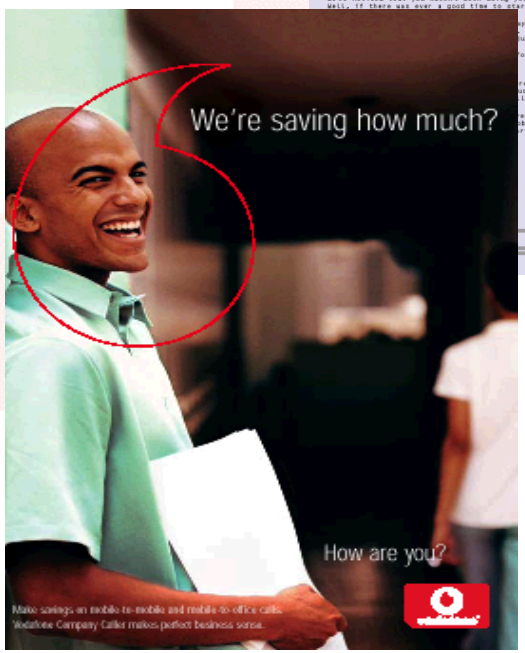




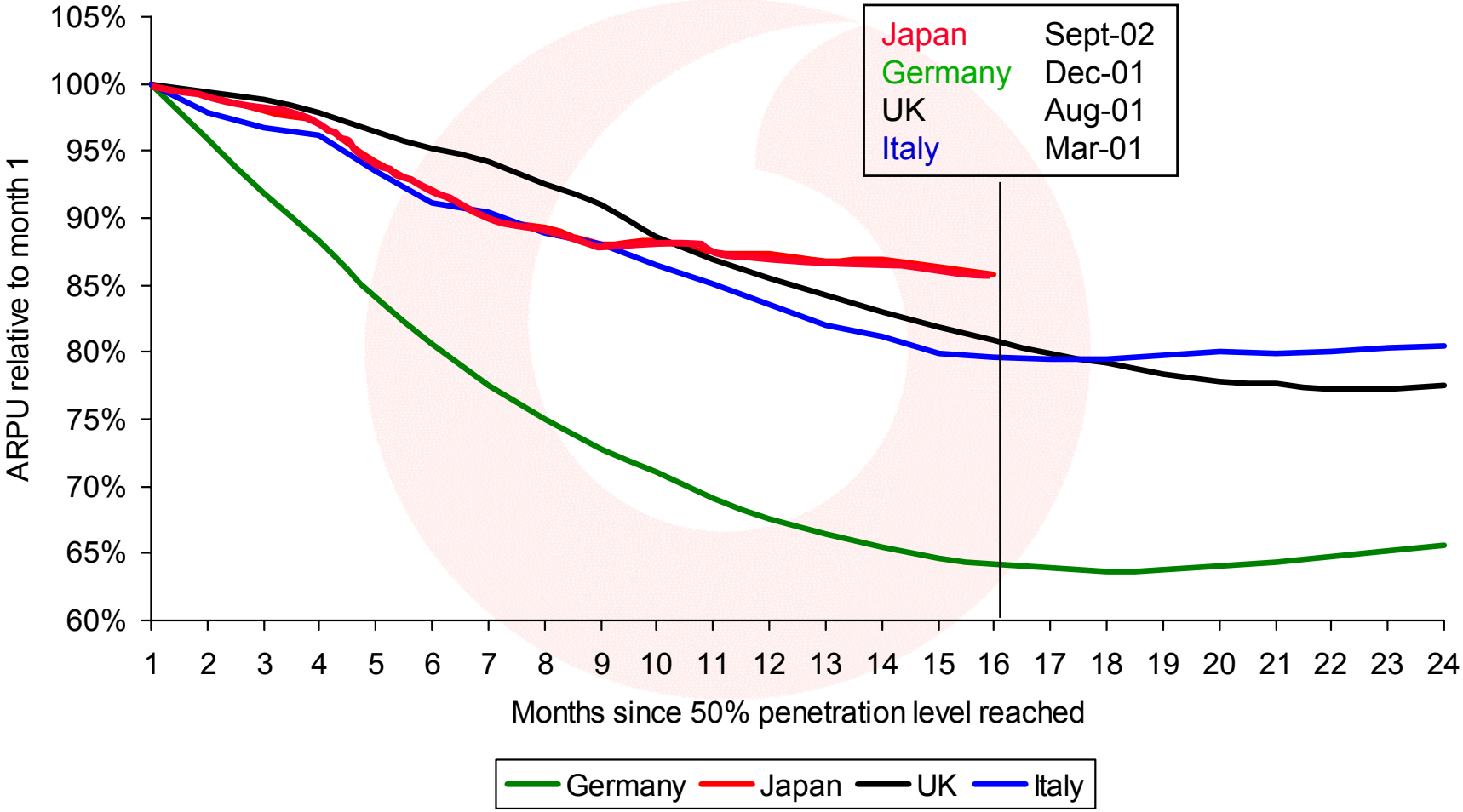
Usage Campaigns







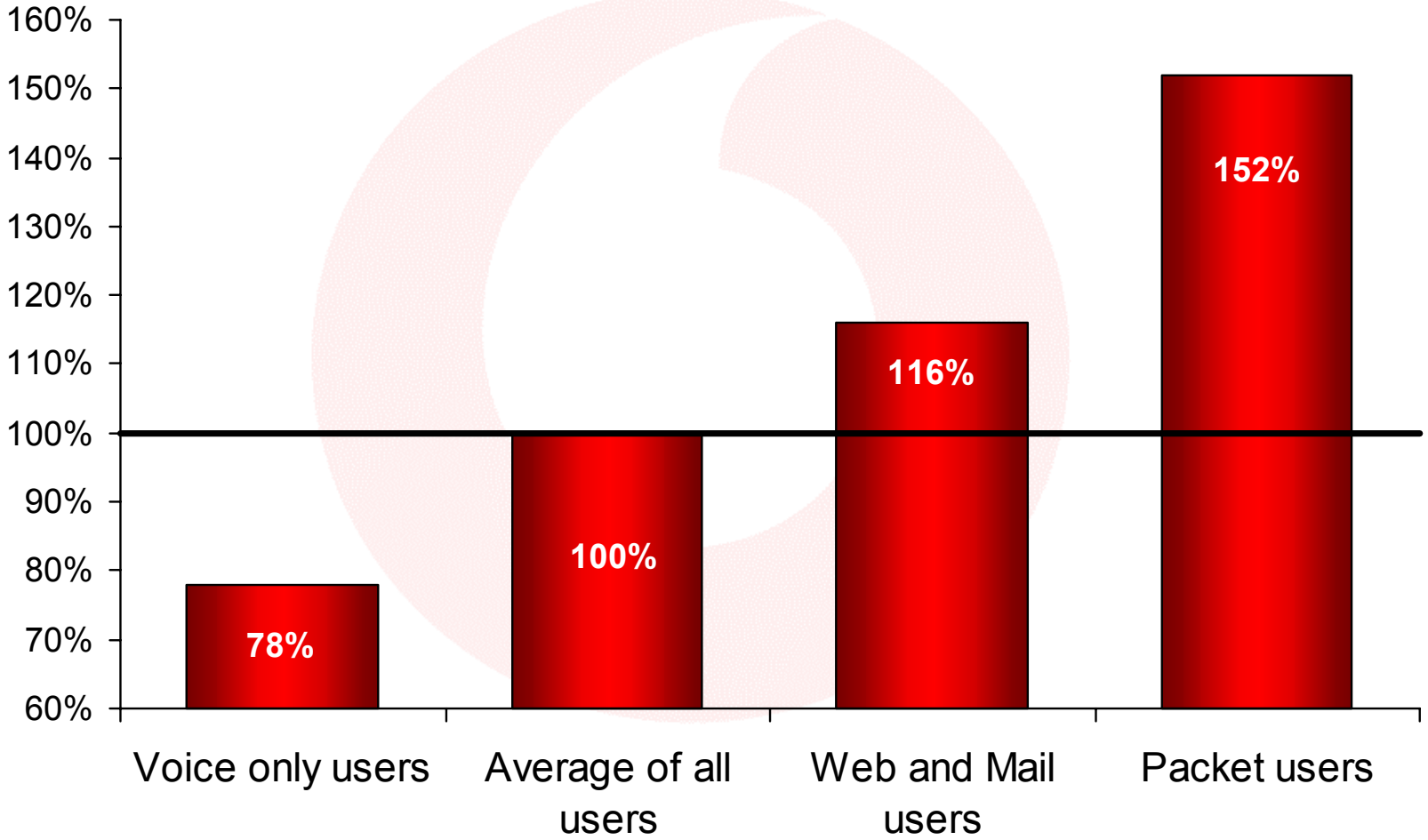
ARPU Trend*



***Slide represents comparative performance of Japan with the largest controlled networks in Europe. Month 1 represents ARPU when 50% mobile penetration of the market is reached**

J-Phone Vodafone

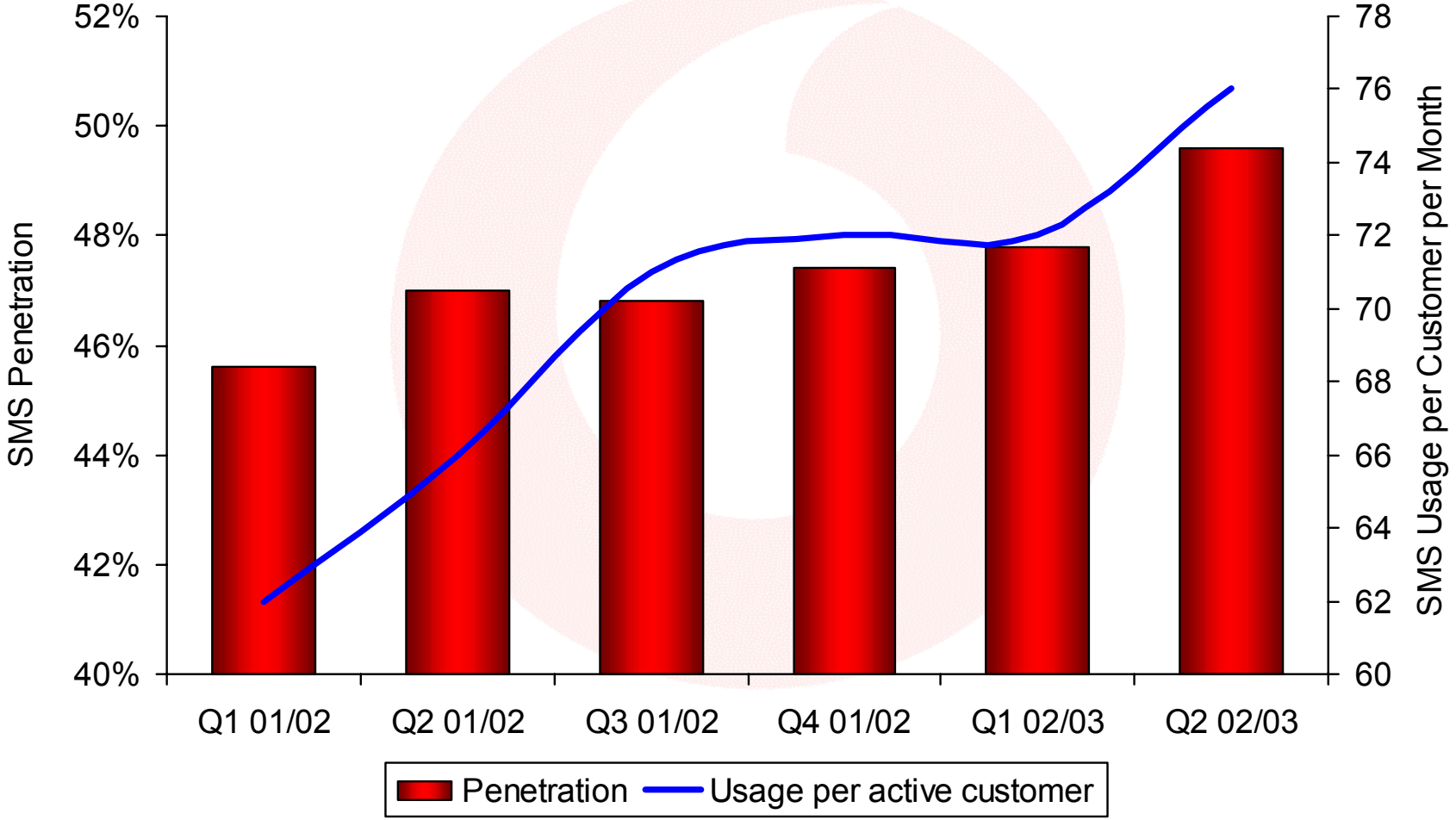
Relative ARPU of voice and data users*



*** J-Phone billing data for September 2002, Tokyo area. Analysis based on customer revenue (i.e. excludes incoming revenue).**

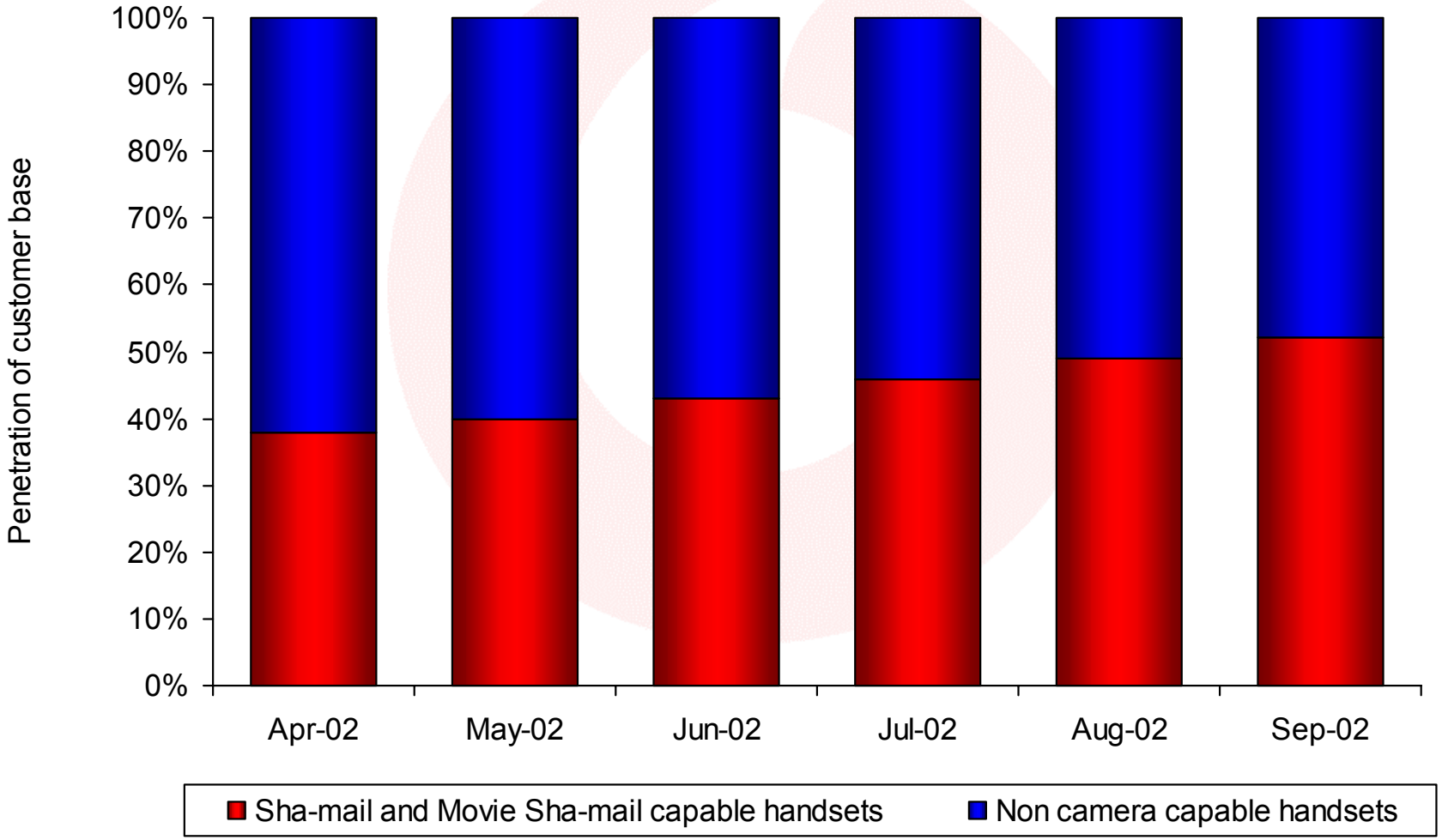
SMS

Penetration and Customer Usage*

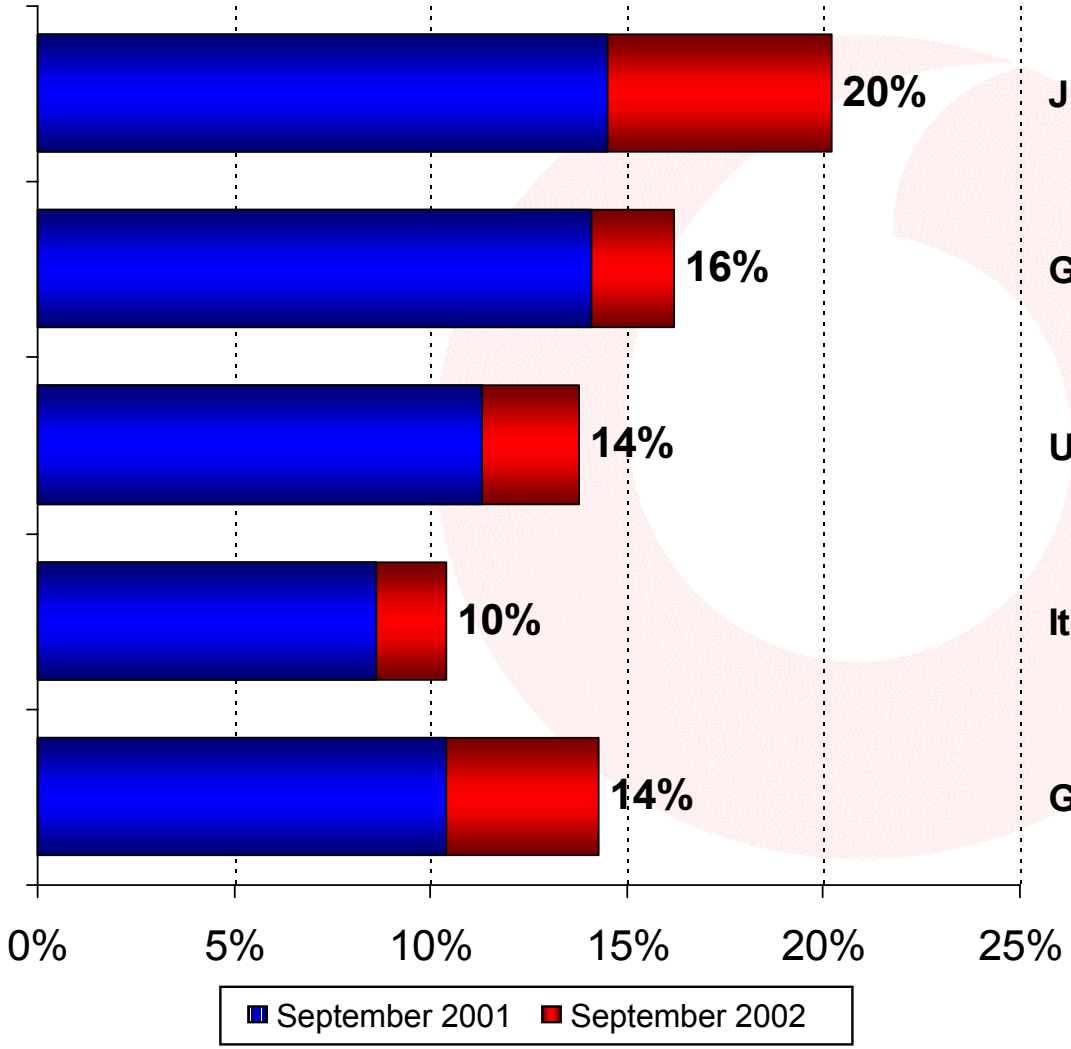


*** All subsidiaries excluding Japan due to different services offerings**

Japan Handset Penetration



% Non Voice Revenue September 2002*



	Increase Sept 2001 to Sept 2002
Japan	5.7%
Germany	2.1%
UK	2.5%
Italy	1.8%
Group*	3.9%

* All subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation

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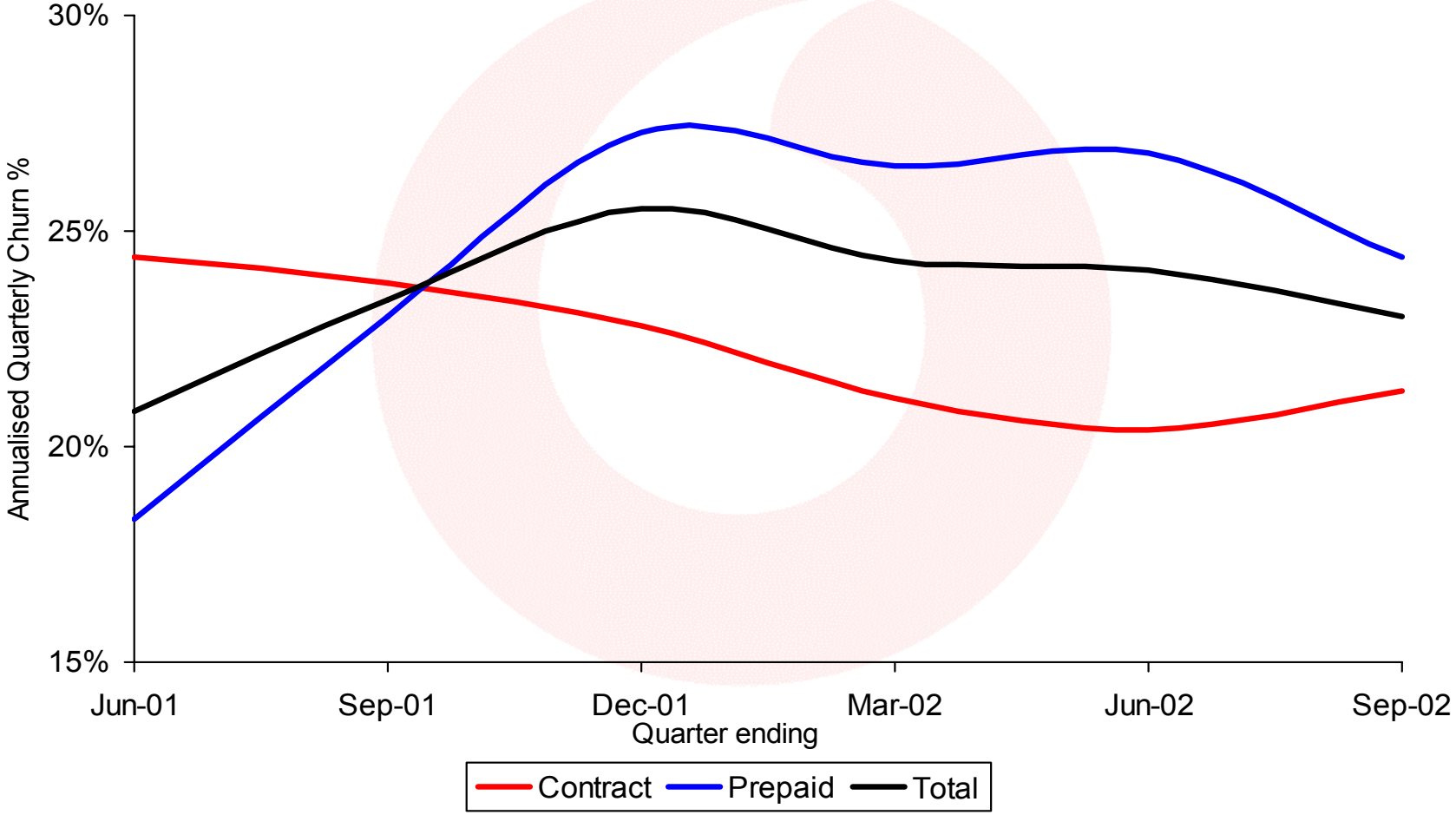
Churn

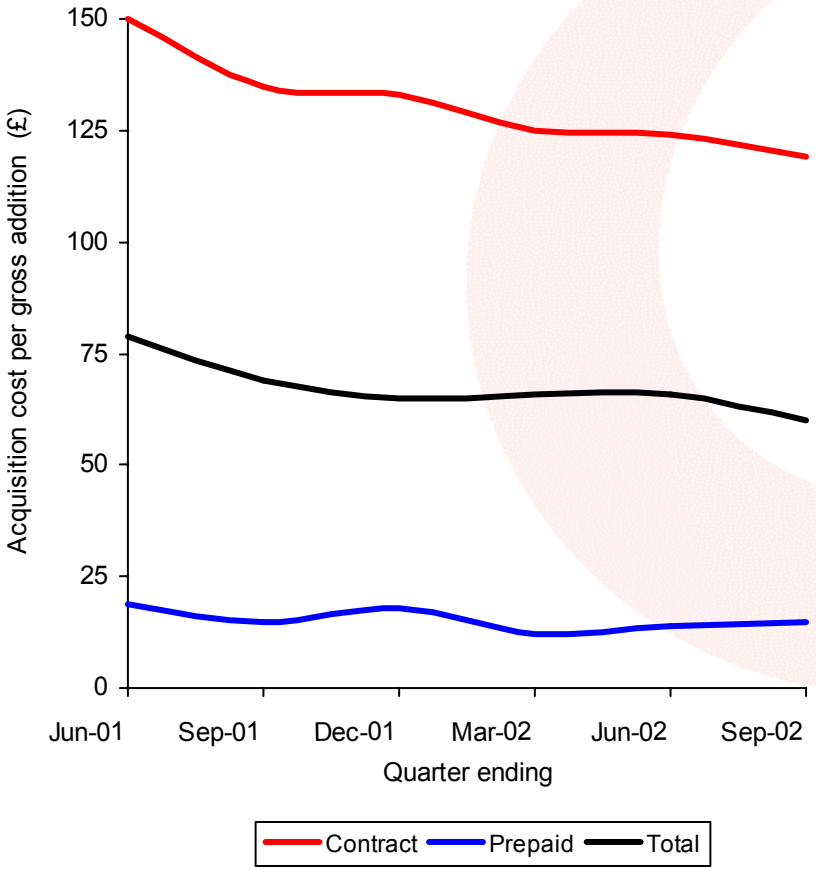
Annualised Quarterly Churn*



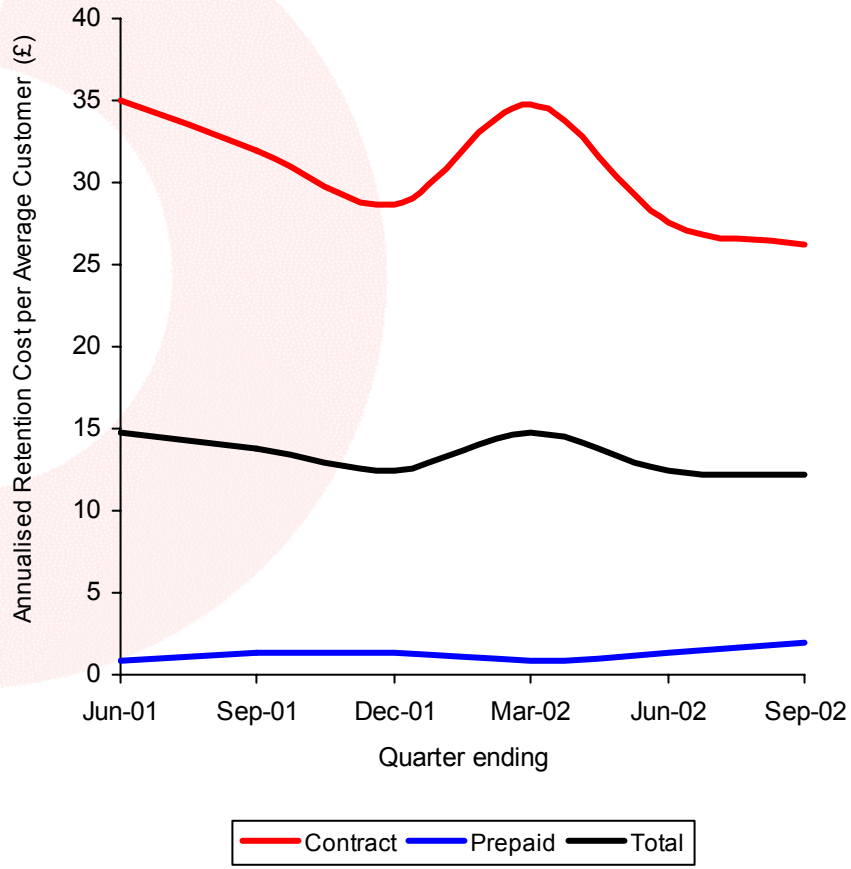
*** All subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation**

Acquisition and Retention Costs

Acquisition Cost per Gross Addition*

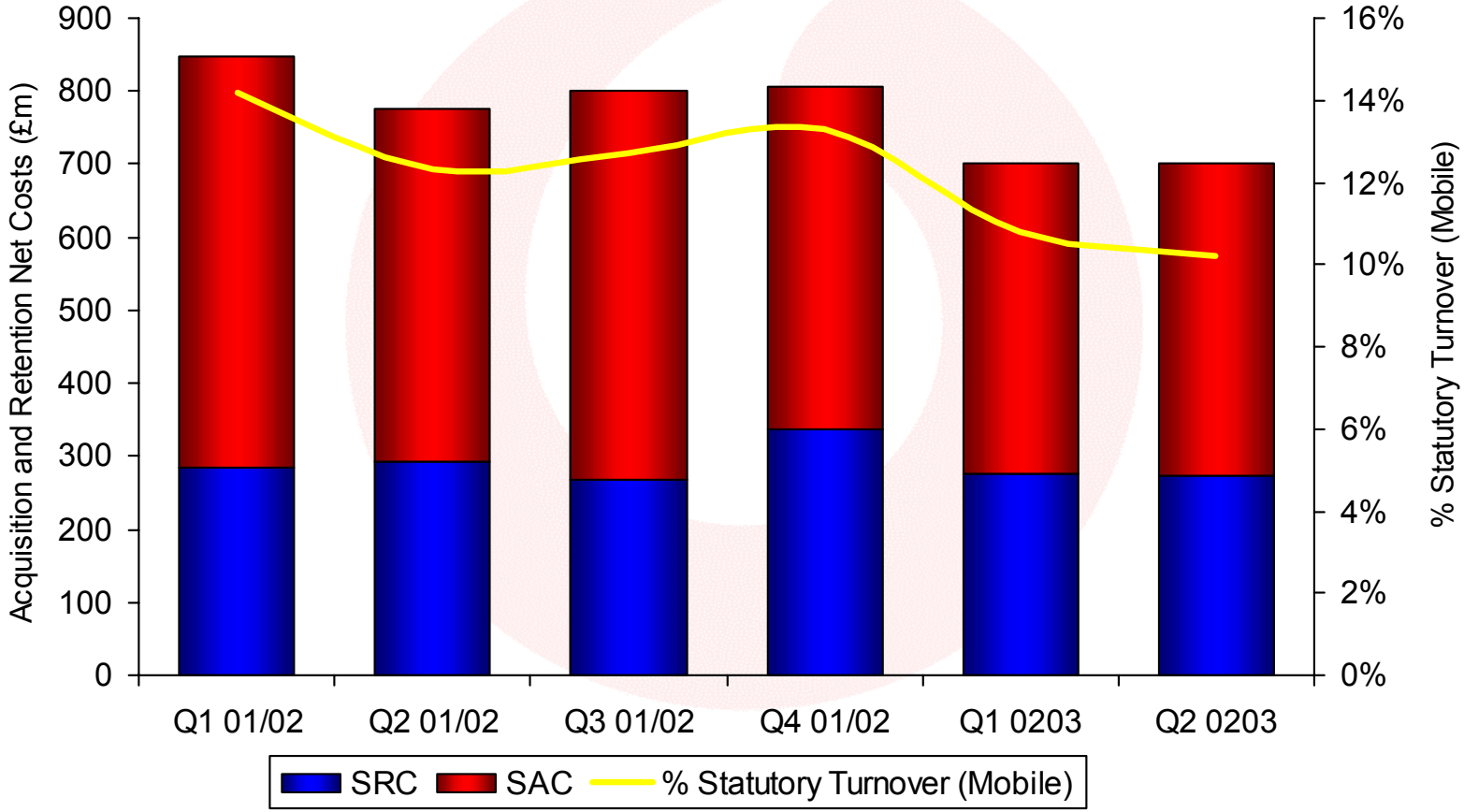


Annualised Retention Cost per Customer*



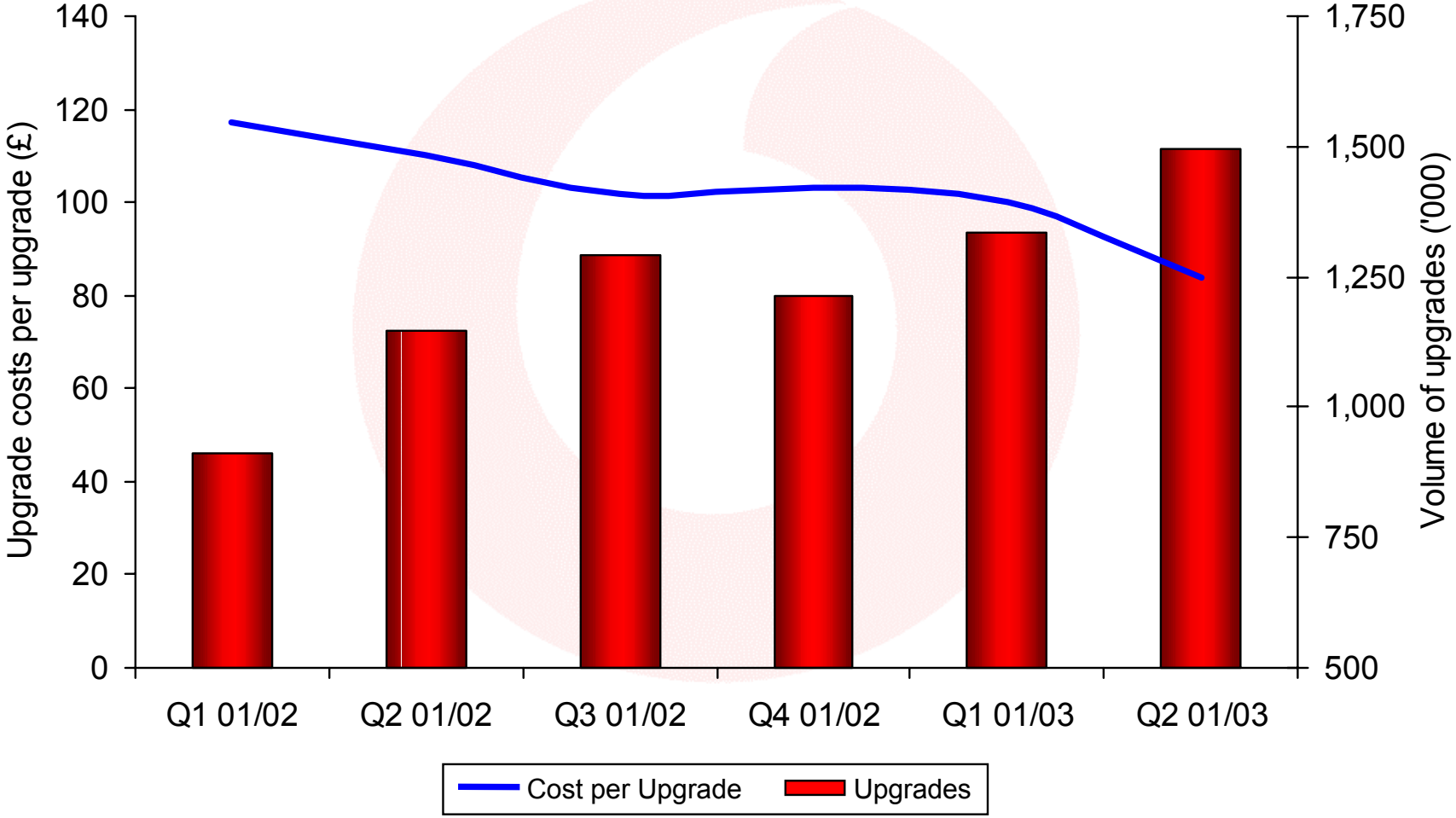
*** All subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation**

Subsidiary Customer Base Costs*



***All mobile subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation. Amounts stated net of handset revenues, connection and upgrade fees.**

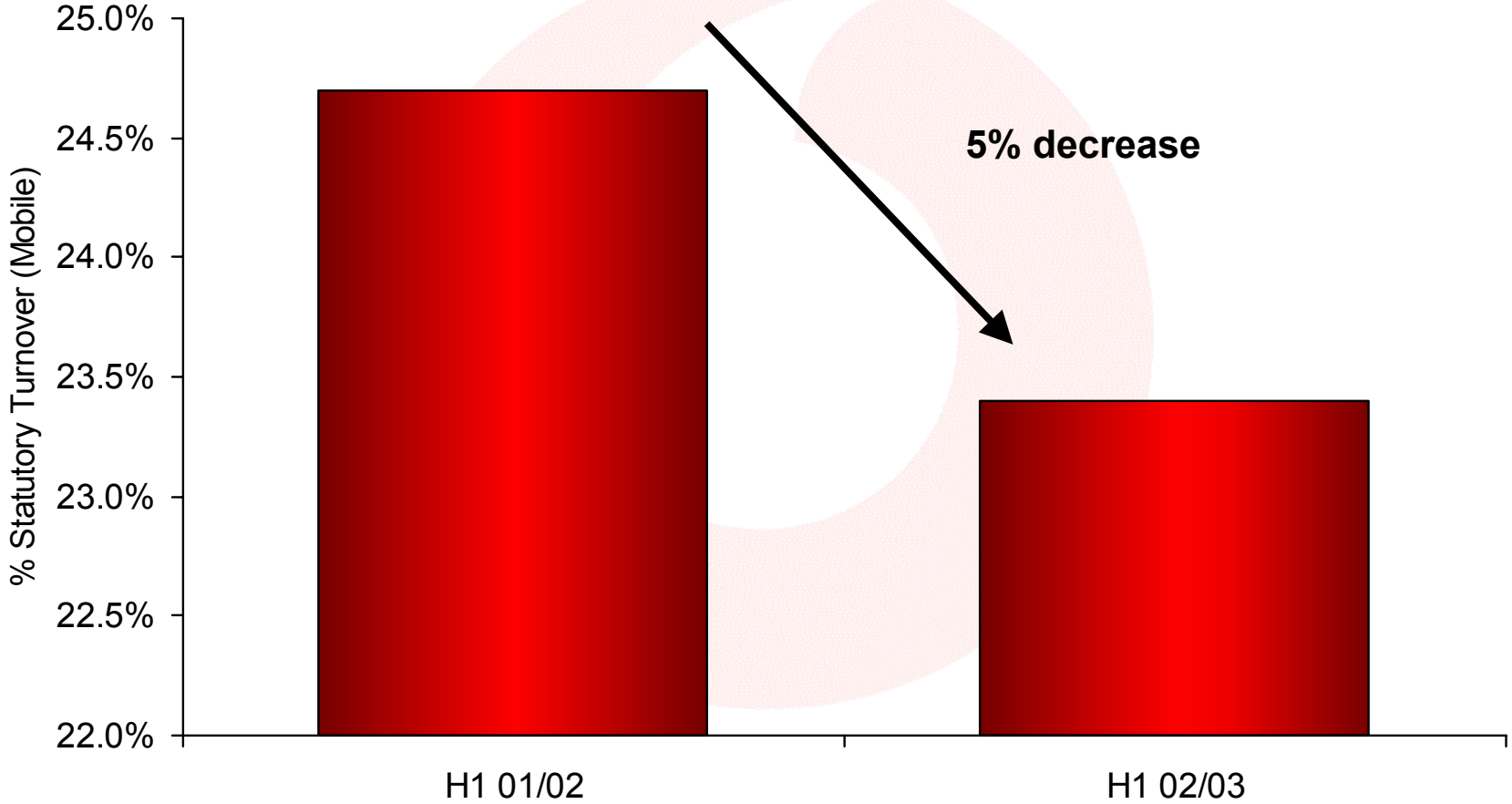
Cost per Upgrade*



*** All subsidiaries excluding Japan, where the loyalty programme is currently being revamped**

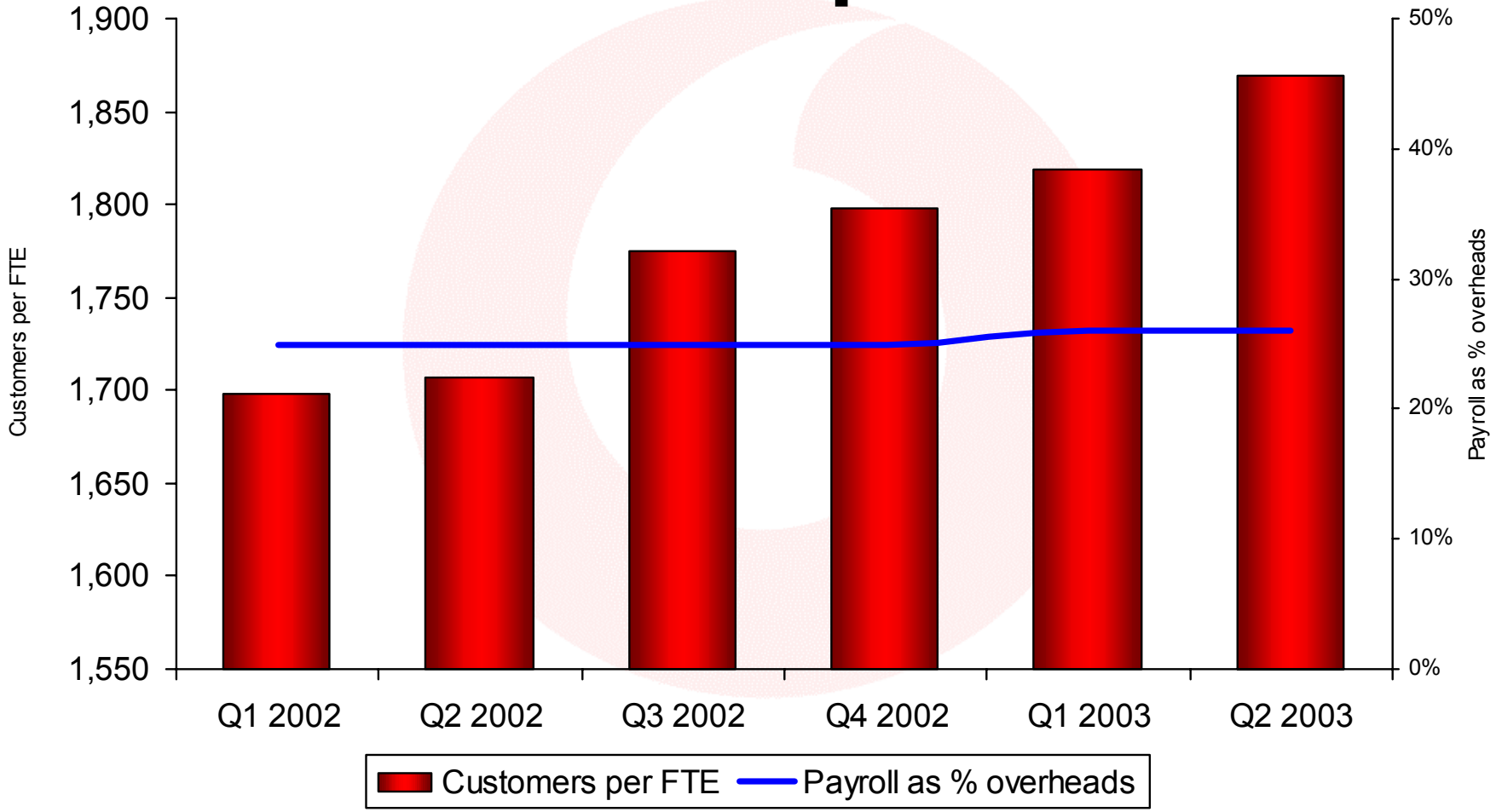
Operating Expenses

as % Statutory Turnover*



*All mobile subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation. Operating expenses comprise sales and administration costs together with network operating, leased line and customer care costs.

Customers per FTE*



*** All subsidiaries. For comparability purposes Japan is included for periods prior to its consolidation**

Synergy Benefits

- Purchasing
  - Infrastructure
  - Handsets
- Product development & advertising
- Benchmarking & best practice

Ahead of FY 2003 Mannesmann synergy target year to date

New Service Propositions

CONSUMER

BUSINESS USER

Vodafone Mobile Office

vodafone™ live!

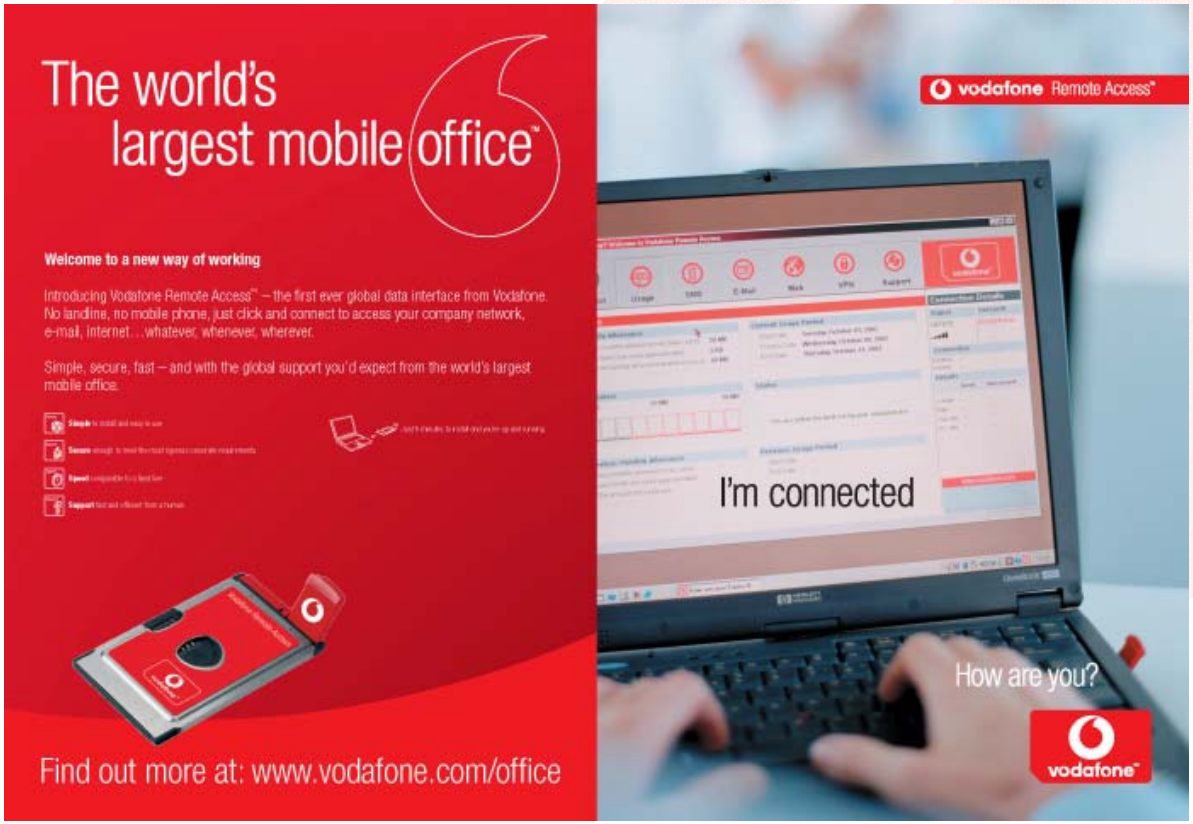
Menu

Picture messaging

Games

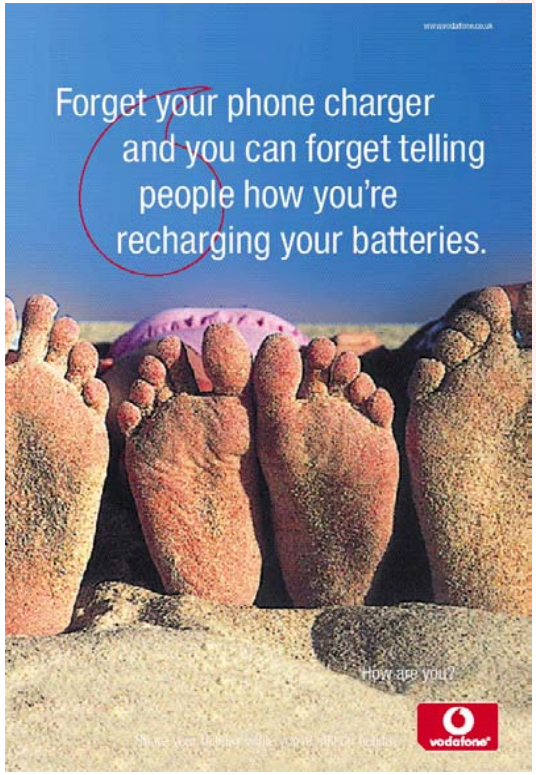
Ringtones

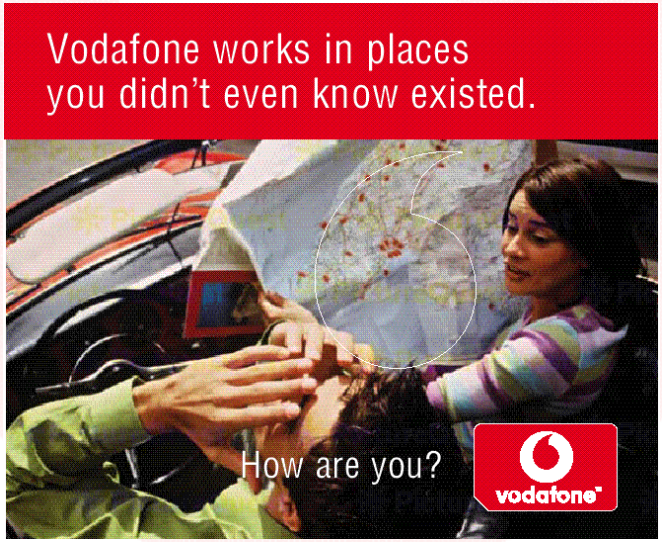
Vodafone Mobile Office

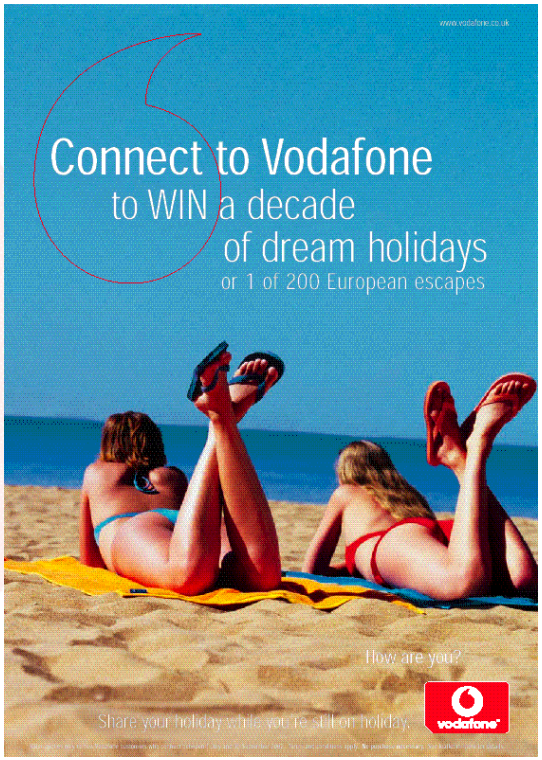


Vodafone Network ready GPRS Data Card Kit

Prepaid Roaming







Largest Global Mobile Brand

vodafone: UK, Australia, New Zealand, Malta, Hungary, Albania, Fiji

vodafone: Portugal, Spain, Netherlands, Ireland, Greece, Sweden, Germany, Egypt

vodafone omnitel: Italy

J-PHONE vodafone: Japan

TDC Mobil vodafone: Denmark, Finland, Kuwait

Conclusion

- Key operating measures performed ahead of expectations
- Strong brand and service offering give unique market differentiation
- Compelling platform for the future

Sir Christopher Gent
Chief Executive
Vodafone Group Plc

Impact of France

- Increase customer numbers
- Increase turnover
- Increase EBITDA
- Increase free cash flow

→ **EPS pre goodwill accretive**

Revenue Outlook
2H 2003

- Sustain organic growth from 1H
- Incremental stake increase in Spain

➡ **Net customer growth > 10% on last year**

- Improvement in customer mix
- Improvement in activity
- Increase voice and data usage

➡ **ARPU continuing to rise in some key markets**

➡ **Double digit proportionate revenue growth**

Effect of New Data Services

- Vodafone live! and Vodafone Mobile Office
- Impact in 2H 2004
- Reach a critical mass of customers
- Networking effect of mobile to mobile

EBITDA Margin Outlook
2H 2003

- Full year up on last year's 35.6% margin
- 2H 03 should be > 2H 02's 35.8% margin
- 2H 03 < 1H 03
  - Impact of launch of new services
  - Don't expect increased acquisition or retention costs
  - Incoming rate reductions in some markets
  - Appreciation of Pound

Business Outlook
2H 2003

- Increase in depreciation
  - Opening 3G network in Japan
  - Incremental capex
- Operating profit down on 1H 03 but significantly up on 2H 02
- European 3G networks to open in 2003
- Capex > £5.5bn
- Strong free cash flow

Transactions Outlook

- No significant transactions envisaged
- Continue to increase stakes in quoted subsidiaries
- Final stage of Spanish put expected
- Possible transaction in France

Expected Outlook FY 2004

- Average customer growth > 10%
- Continued rise in ARPU in some key markets
- Double digit proportionate revenue growth
- Modest margin improvement
- Proportionate EBITDA growth > 15%
- Good progress on increasing EPS
- Similar capex level to FY 2003, improving efficiency
- Impact of new data environments

Conclusion

- Transition to new growth environment
  - Financial performance better than expectations
- Convinced of long-term revenue growth opportunities
- Good year-on-year growth
- Very confident in future prospects

Forward-Looking Statements

This presentation, including the speeches being made today, contains “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group’s financial condition, results of operations and businesses and certain of the Group’s plans and objectives with respect to these items. In particular, forward-looking statements include statements with respect to Vodafone’s expectations as to launch and roll-out dates for products and services, including, for example, 3G services, Vodafone live! and Vodafone Mobile Office; the ability to integrate our operations throughout the Group in the same format and on the same technical platform; the development and impact of new mobile technology, including the expected benefits of GPRS, 3G and other services and demand for such services; the completion of Vodafone’s brand migration programme; growth in customers and usage, including improvements in customer mix; future performance, including turnover, ARPU, EBITDA, cash flows, costs, capital expenditures and improvements in margin, non-voice services and their revenue contribution; the ability to realise synergies through cost savings, revenue generating services, benchmarking, and operational experience; future acquisitions, including increases in ownership in existing investments and pending offers for investments; mobile penetration rates; expectations with respect to long-term shareholder value growth; our ability to remain the mobile market leader, overall market trends and other trend projections.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group that would adversely affect the level of demand for mobile services; greater than anticipated competitive activity requiring changes in pricing models and/or new product offerings or resulting in higher costs of acquiring new customers or providing new services, or slower customer growth or reduced customer retention; the impact on capital spending from investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology; slower customer growth or reduced customer retention; the possibility that technologies, including mobile internet platforms, and services, including 3G services, will not perform according to expectations or that vendors’ performance will not meet the Group’s requirements; changes in the projected growth rates of the mobile telecommunications industry; the Group’s ability to realise expected synergies and benefits associated with 3G technologies, the integration of our operations and those of recently acquired companies, the completion of the Group’s brand migration programme and the consolidation of IT systems; future revenue contributions of both voice and non-voice services offered by the Group; lower than expected impact of GPRS, 3G and Vodafone live! and Vodafone Mobile Office on the Group’s future revenues, cost structure and capital expenditure outlays; the ability of the Group to harmonise mobile platforms and any delays, impediments or other problems associated with the roll-out and scope of 3G technology and services and Vodafone live! and Vodafone Mobile Office in new markets; the ability of the Group to offer new services and secure the timely delivery of high-quality, reliable GPRS and 3G handsets, network equipment and other key products from suppliers; greater than anticipated prices of new mobile handsets; the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing; the possibility that new, unexpected strategic opportunities may arise in the next two to three years, the pursuit of which could be in the best interests of Vodafone’s shareholders and that future acquisitions that we believe to be in the best interests of Vodafone’s shareholders may have a negative short or medium-term impact on one or more of the measurements of our financial performance; any unfavorable conditions, regulatory or otherwise, imposed in connection with pending or future acquisitions or dispositions; changes in the regulatory framework in which the Group operates, including possible action by the European Commission regulating rates the Group is permitted to charge; the Group’s ability to develop competitive data content and services which will attract new customers and increase average usage; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; changes in exchange rates, including particularly the exchange rate of the pound to the euro, US dollar and the Japanese yen; the possibility that, in connection with the agreement to purchase BT and SBC’s interests in Cegetel, Vivendi will pre-empt our offer on one or both stakes or will not comply with the Cegetel shareholders’ agreement or delay its compliance or interpose obstacles thereby delaying significantly our ability to gain control of the management of Cegetel or influence its strategic or value generative decisions or otherwise limit the Group’s ability to realise benefits of increased ownership, and that, in connection with the Group’s offer to Vivendi for its stakes in Cegetel, Vivendi may decline the Group’s offer; and the risk that, upon containing control of certain investments, the Group discovers additional information relating to the businesses of that investment leading to restructuring charges or write-offs or with other negative implications.

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 “Risk Factors” on pages 29 and 30 of Vodafone’s Annual Report & Accounts and Form 20-F for the year ended 31 March 2002. All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. Neither Vodafone nor any of its affiliates intends to update these forward-looking statements.

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