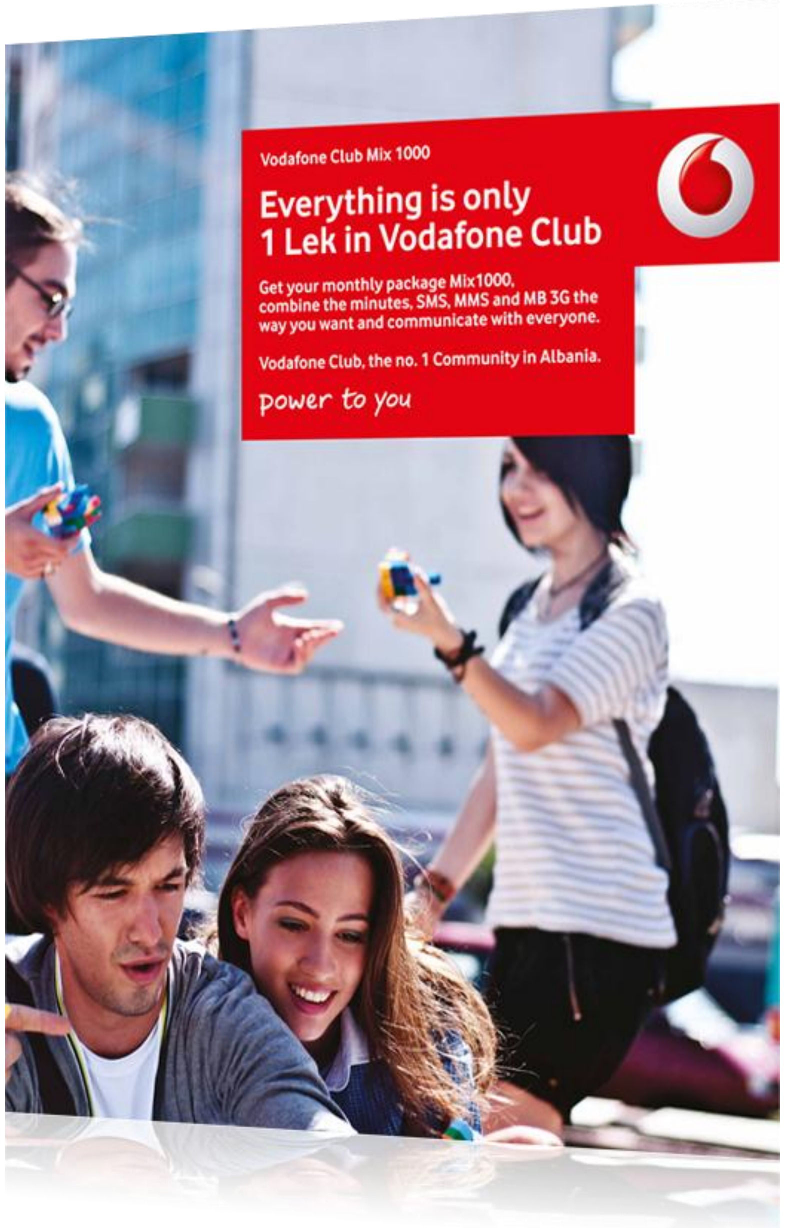
# Vodafone Group Plc
# Interim Results

For the 6 months ended 30 September 2011

8 November 2011



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The presentation also contains certain non-GAAP financial information. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for, or alternatives to, but rather as complementary to, the comparable GAAP measures.

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# Agenda

- H1 11/12 highlights
- H1 11/12 financial review
- Commercial and strategic progress
- Q&A

# H1 11/12 highlights

- Group organic service revenue H1 **+1.4%**; Q1 +1.5%, Q2 **+1.3%**
- Strong commercial performance in most European and emerging markets
- Verizon Wireless **$10bn** dividend confirmed; Vodafone **$4.5bn** share
- **£3.9bn** of £6.8bn share buyback programme completed by Q2[1]
- Interim dividend per share **+7.0%** to **3.05p**; special dividend per share **4.0p**
- Continued progress on strategic priorities

1. £4.3 billion completed by 7 November 2011

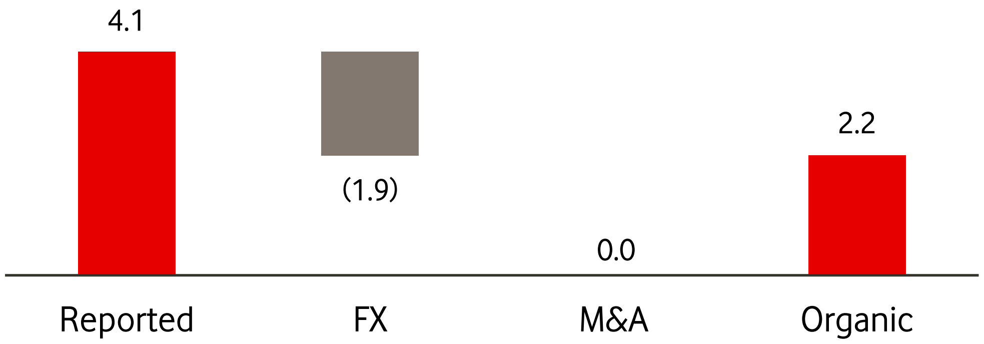
# H1 11/12
# Financial review

Andy Halford

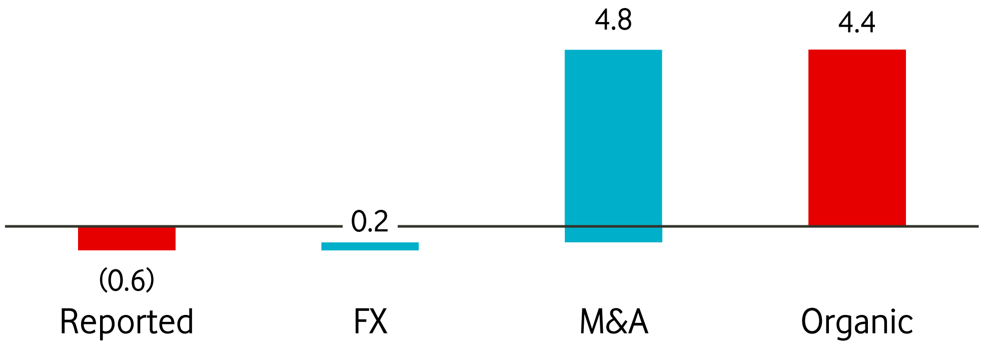
Follow this code using your smartphone reader to download our detailed KPI web spreadsheet

# Group: sustained revenue growth

## H1 11/12 revenue growth (%)




## H1 11/12 adjusted operating profit growth (%)




| | H1 11/12 £m | Reported growth (%) | Organic growth (%) |
|---|---|---|---|
| **Revenue** | **23,520** | **4.1** | **2.2** |
| **Adjusted operating profit** | **6,035** | **(0.6)** | **4.4** |
| Net financing costs | (893) | | |
| Tax | (1,197) | | |
| Non-controlling interests | 17 | | |
| **Adjusted net profit[1]** | **3,962** | **(14.2)** | |
| Other net gains[2] | 3,167 | | |
| Impairment | (450) | | |
| Minority interest | (35) | | |
| Profit for the period[1] | 6,644 | | |
| **Adjusted earnings per share** | **7.75p** | **(11.5)** | |
| Interim dividend per share | 3.05p | 7.0 | |

1. Attributable to equity shareholders
2. Other net gains include £3.4bn from sale of Group's interest in SFR and £0.2bn other losses

# Group: stable underlying performance

| | £m | H1 11/12 growth % | Q2 11/12 growth % |
|---|---|---|---|
| **Group service revenue** | **21,894** | **1.4** | **1.3** |
| Europe | 15,337 | (1.3) | (1.2) |
| Africa, Middle East & Asia Pacific | 6,376 | 8.4 | 8.2 |
| **Group EBITDA** | **7,532** | **2.3**[1] | |
| *EBITDA margin (%)* | *32.0* | *(0.6)ppt*[1] | |
| **Associate income** | **2,521** | **(5.0)**[1] | |
| **Free cash flow** | **2,616** | **(25.0)**[1] | |

**Underlying service revenue:**

- Q2 +3.7% excluding MTR impact
- H1 +3.8% excluding MTR impact

**EBITDA:**

- Margin decline slowed  as expected
- Continuing customer investment offset by good cost control

**Free cash flow:**

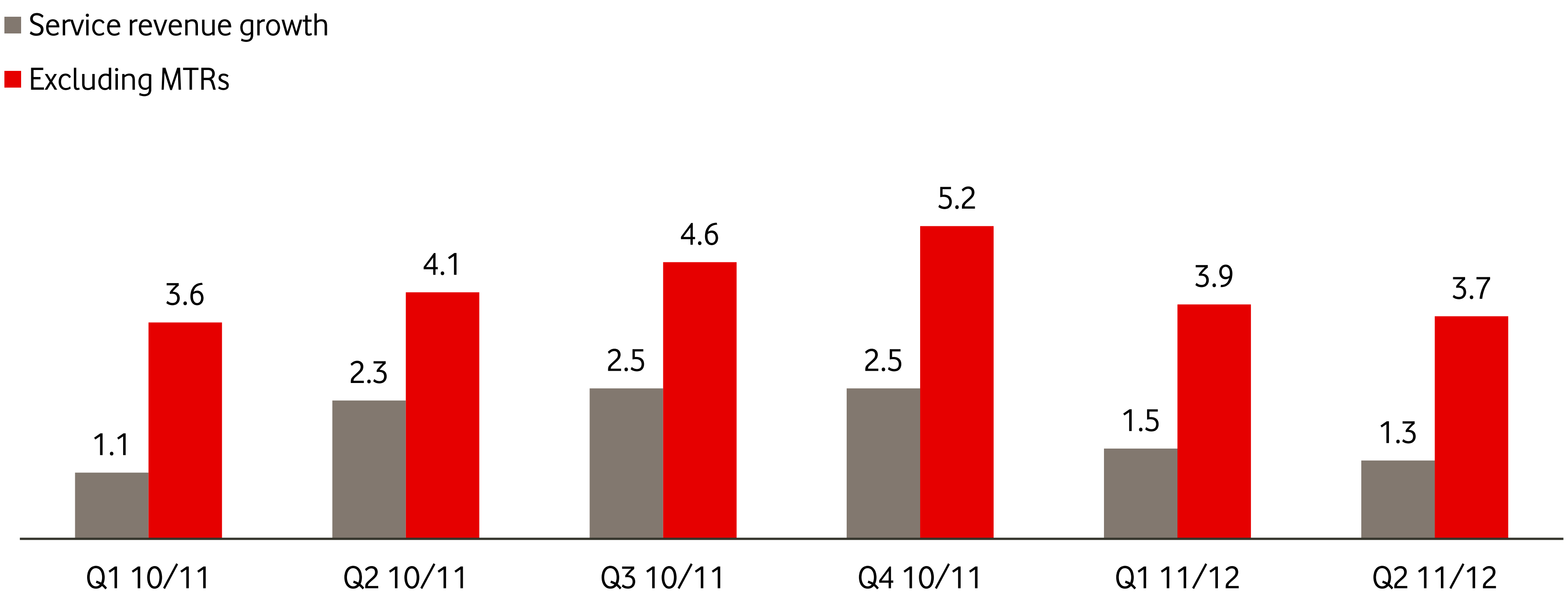
- Capex £2.6bn
- Working capital outflow

All growths shown are organic unless otherwise stated

1. Growth figures for Group EBITDA, EBITDA margin, associate income and free cash flow, are presented on a reported, rather than organic, basis

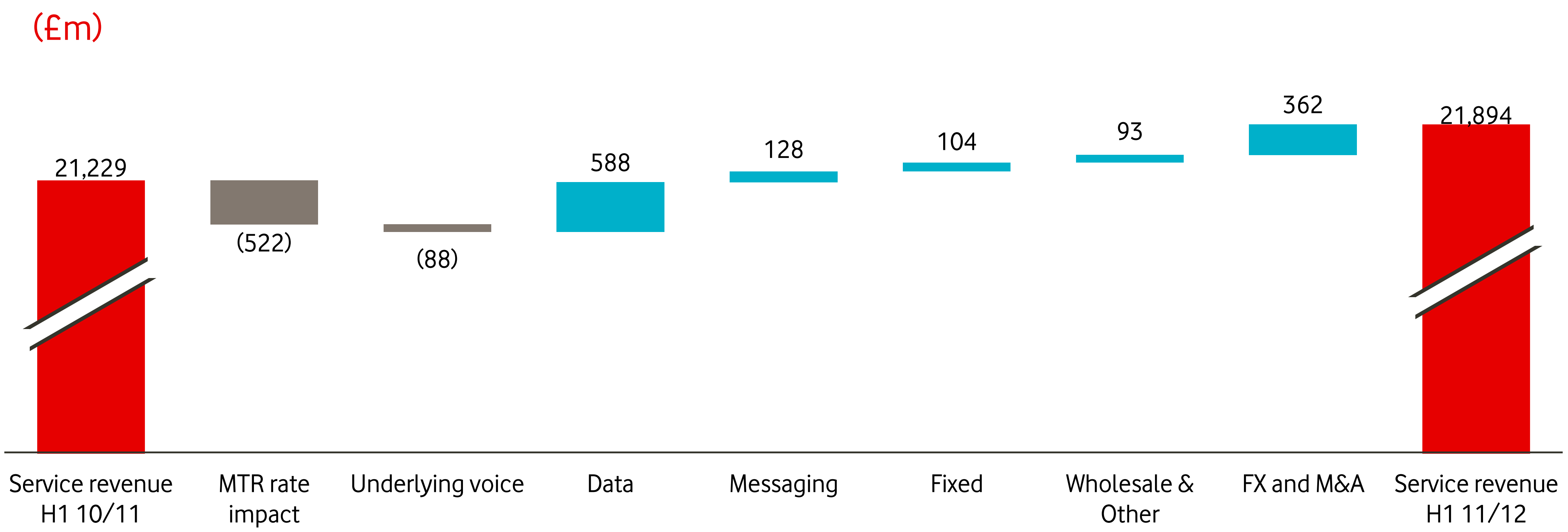
# Group: robust underlying revenue growth

## Service revenue growth (%)




All growths shown are organic unless otherwise stated

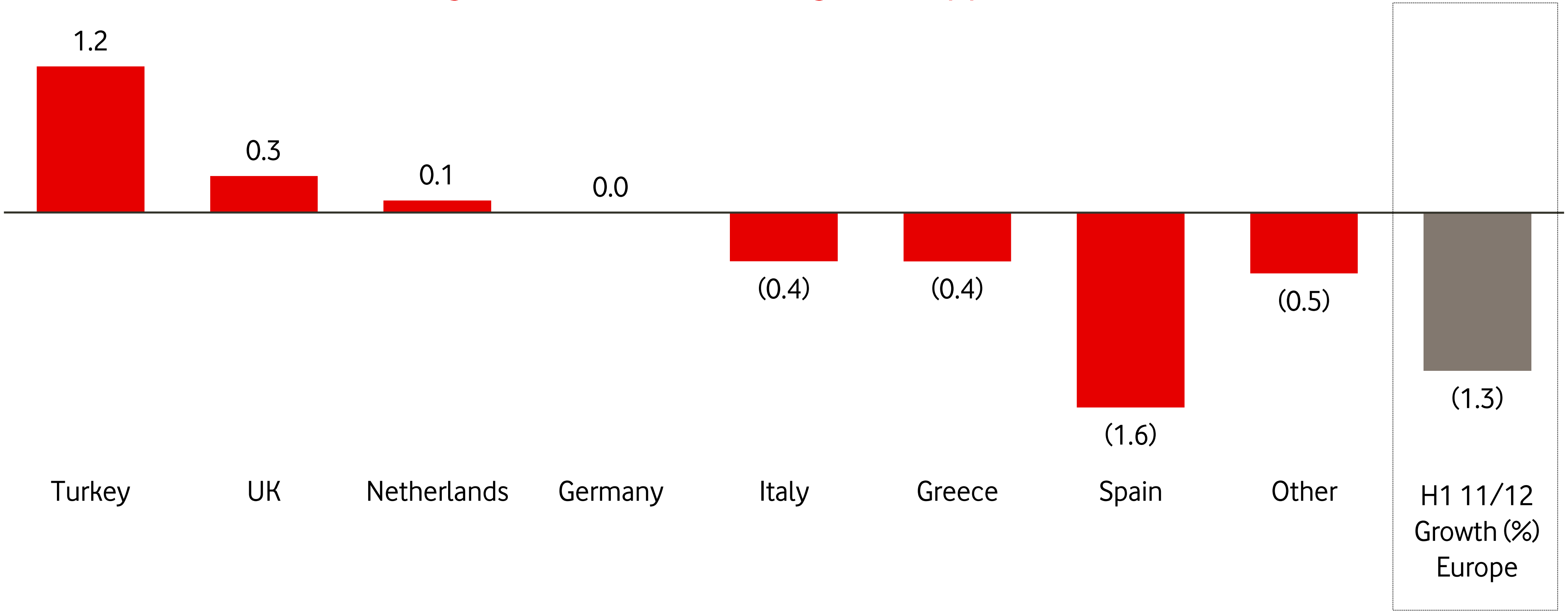
# Group: data growth offsets voice decline




- Data revenue growth +23.8%; annual run rate £6.3bn
- Messaging revenues +5.0%; volumes +19.2%
- Fixed revenues +6.1%

# Europe: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)

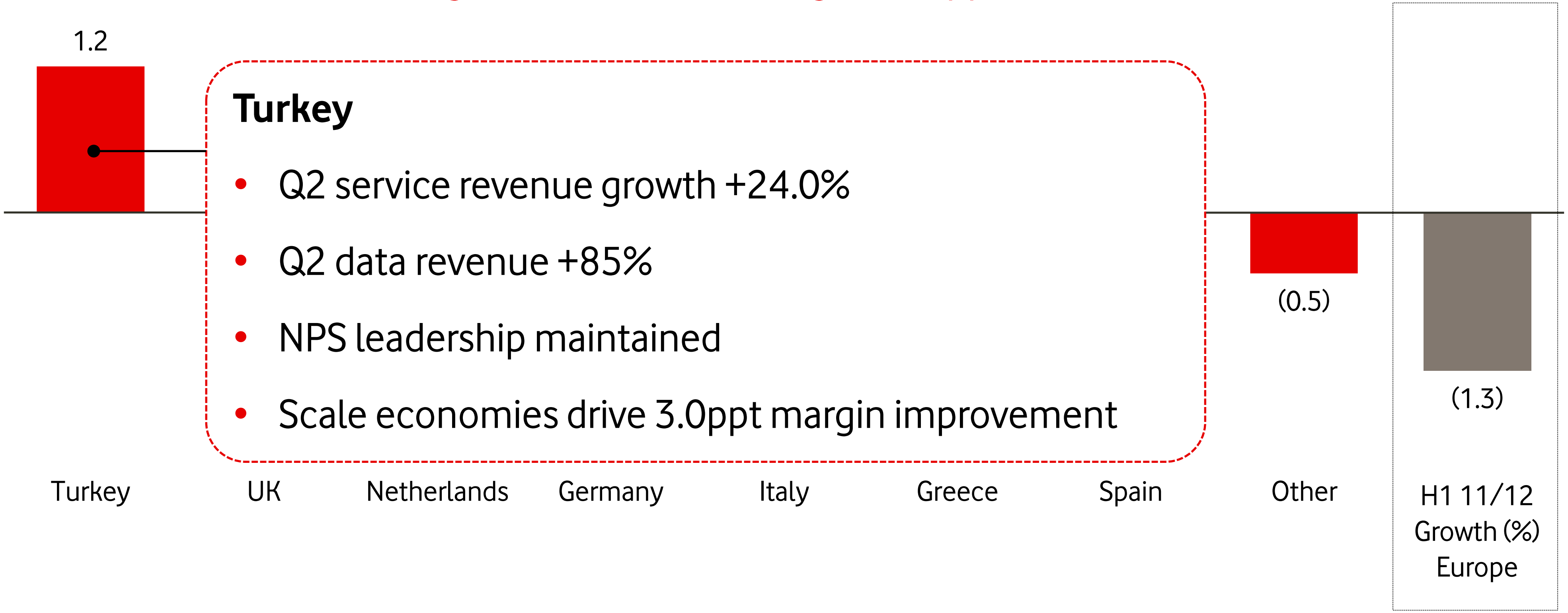



- Europe service revenue growth +1.6% excluding MTR impact


All growths shown are organic unless otherwise stated

# Europe: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)

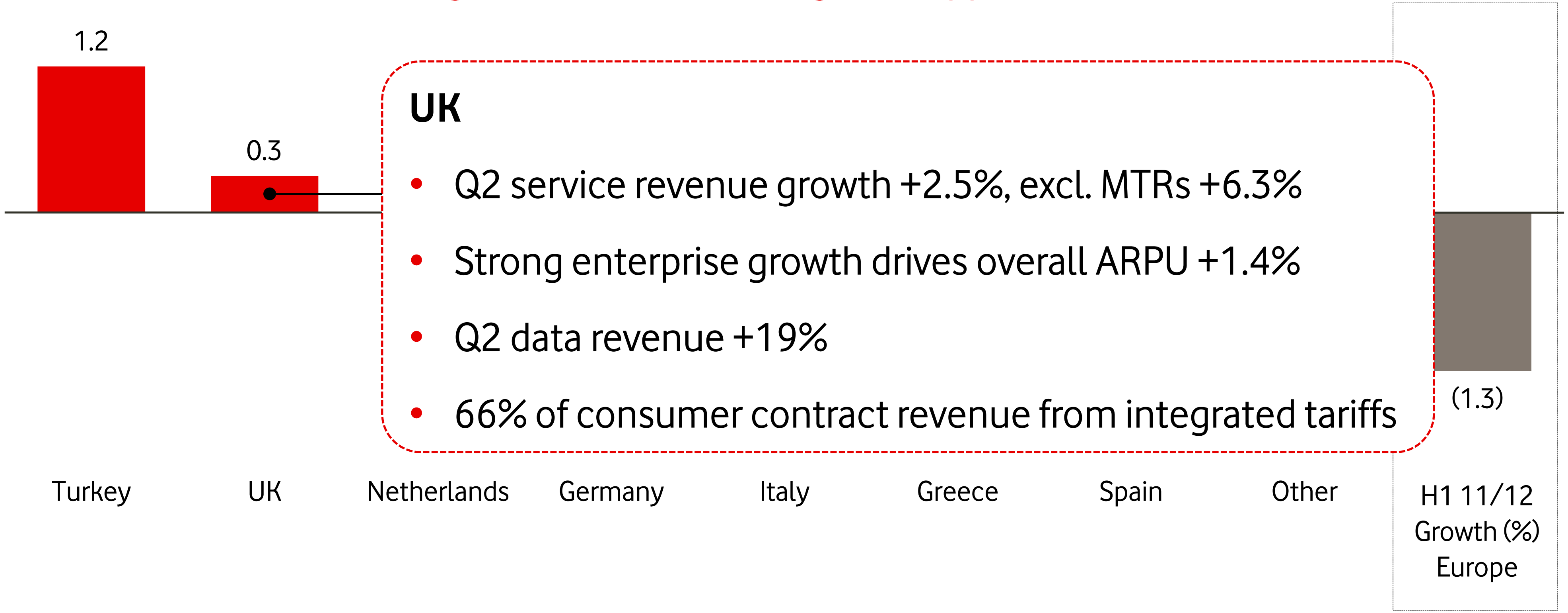




All growths shown are organic unless otherwise stated

# Europe: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)



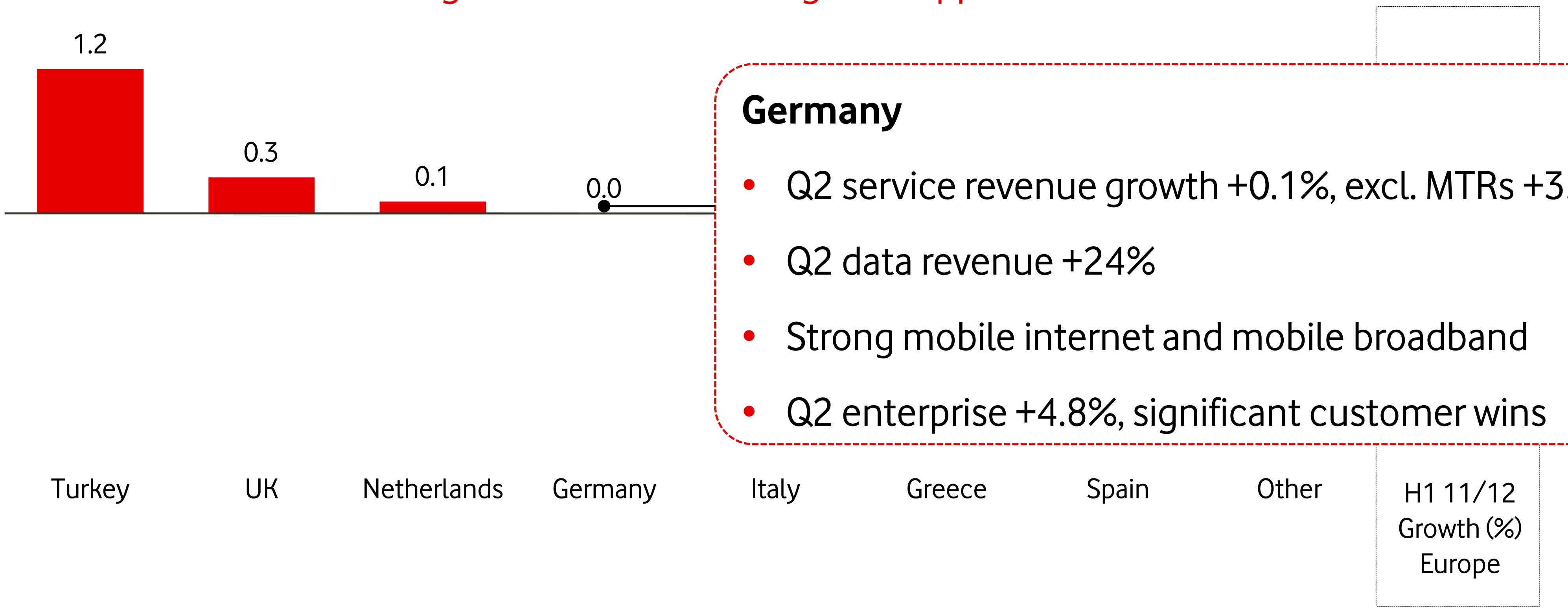

**UK**

- Q2 service revenue growth +2.5%, excl. MTRs +6.3%
- Strong enterprise growth drives overall ARPU +1.4%
- Q2 data revenue +19%
- 66% of consumer contract revenue from integrated tariffs


All growths shown are organic unless otherwise stated

# Europe: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)



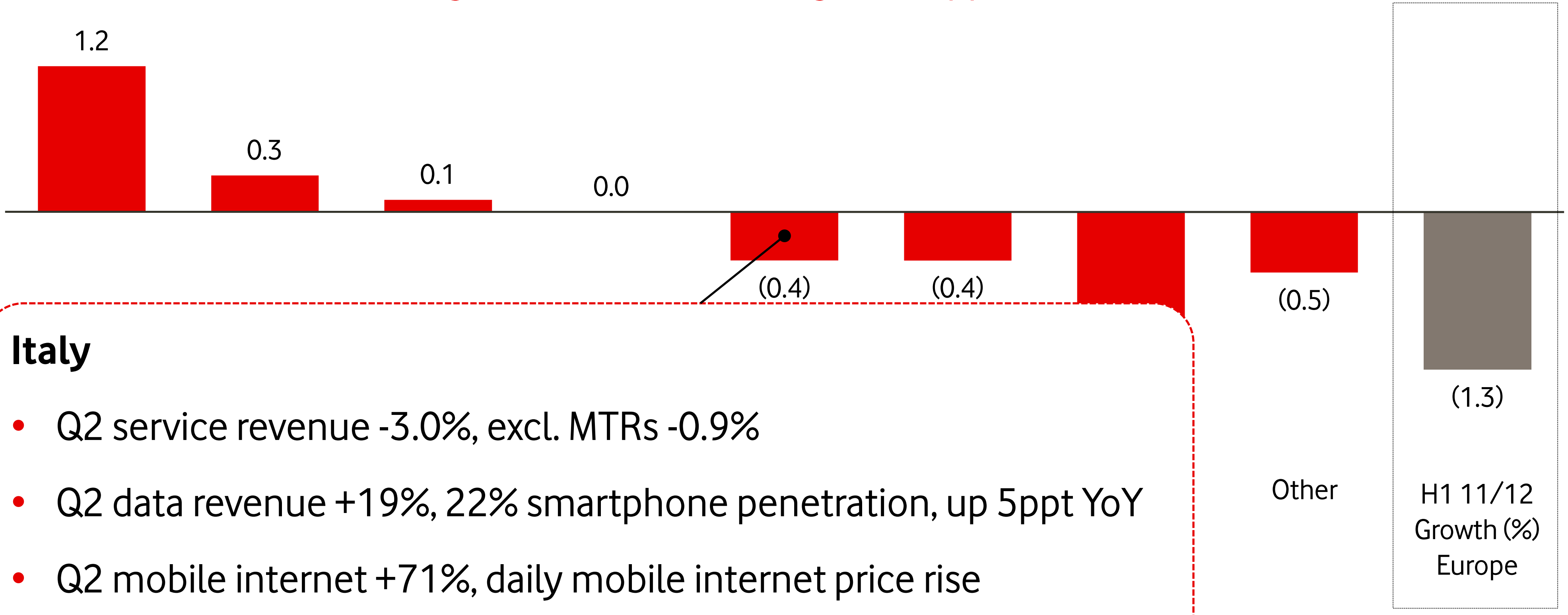

**Germany**

- Q2 service revenue growth +0.1%, excl. MTRs +3.9%
- Q2 data revenue +24%
- Strong mobile internet and mobile broadband
- Q2 enterprise +4.8%, significant customer wins

 All growths shown are organic unless otherwise stated

# Europe: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)



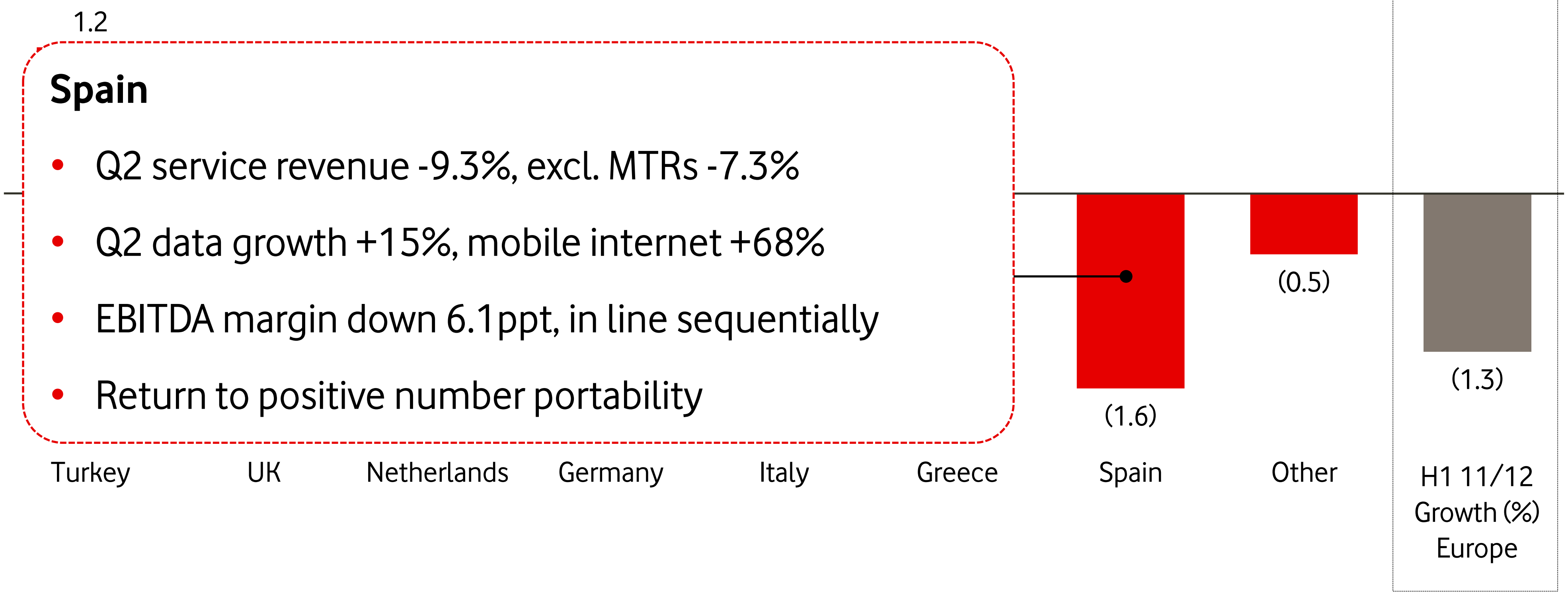

**Italy**

- Q2 service revenue -3.0%, excl. MTRs -0.9%
- Q2 data revenue +19%, 22% smartphone penetration, up 5ppt YoY
- Q2 mobile internet +71%, daily mobile internet price rise
- Continued strength in fixed and enterprise


All growths shown are organic unless otherwise stated

# Europe: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)



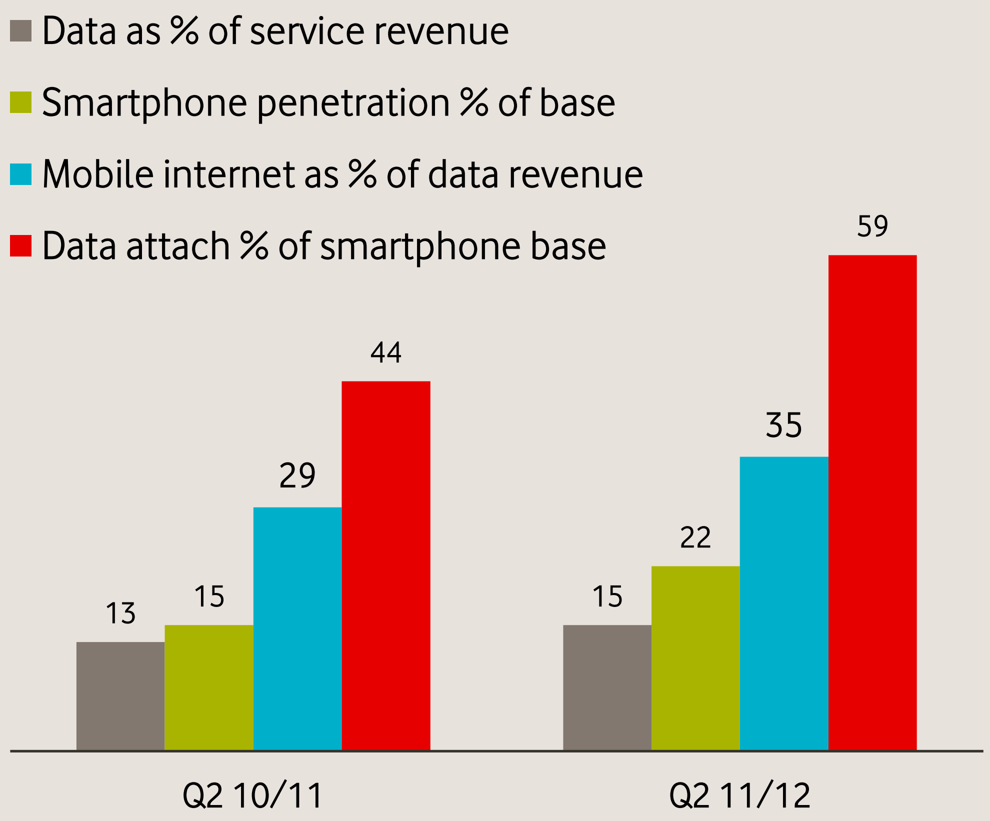

**Spain**

- Q2 service revenue -9.3%, excl. MTRs -7.3%
- Q2 data growth +15%, mobile internet +68%
- EBITDA margin down 6.1ppt, in line sequentially
- Return to positive number portability


All growths shown are organic unless otherwise stated

# Europe: delivering the data and enterprise strategy

## Executing on data




## Selective repricing

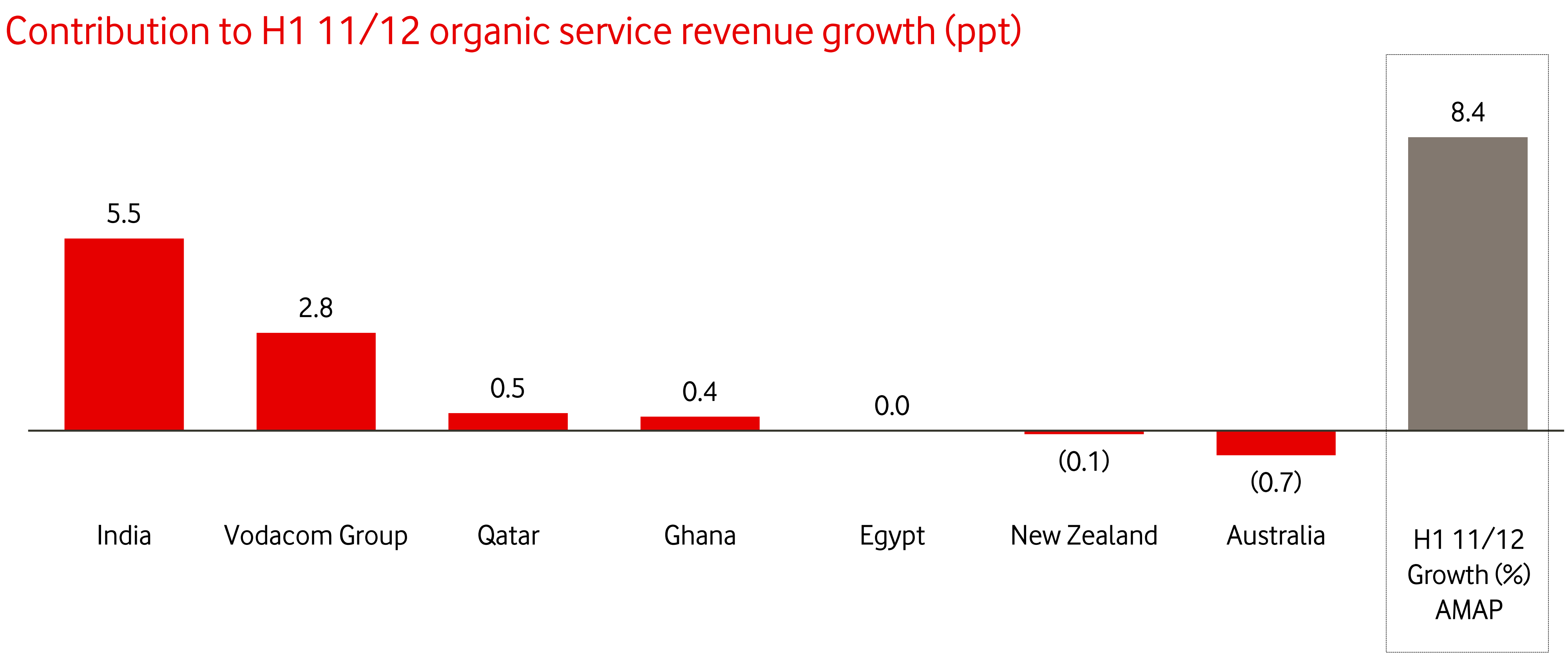
- UK prepaid price rise
- Netherlands reduction in data allowances
- Italy daily mobile internet €1.5 to €2.5
- Turkey pass through regulatory fee

## Enterprise growth accelerating

- Q2 service revenue +2.5%, data revenue 23% of service revenue
- VGE Q2 revenues +9.4%
- 23m mobile connections, churn improvement
- 37% smartphone penetration


All growths shown are organic unless otherwise stated

# AMAP: contributions to service revenue performance



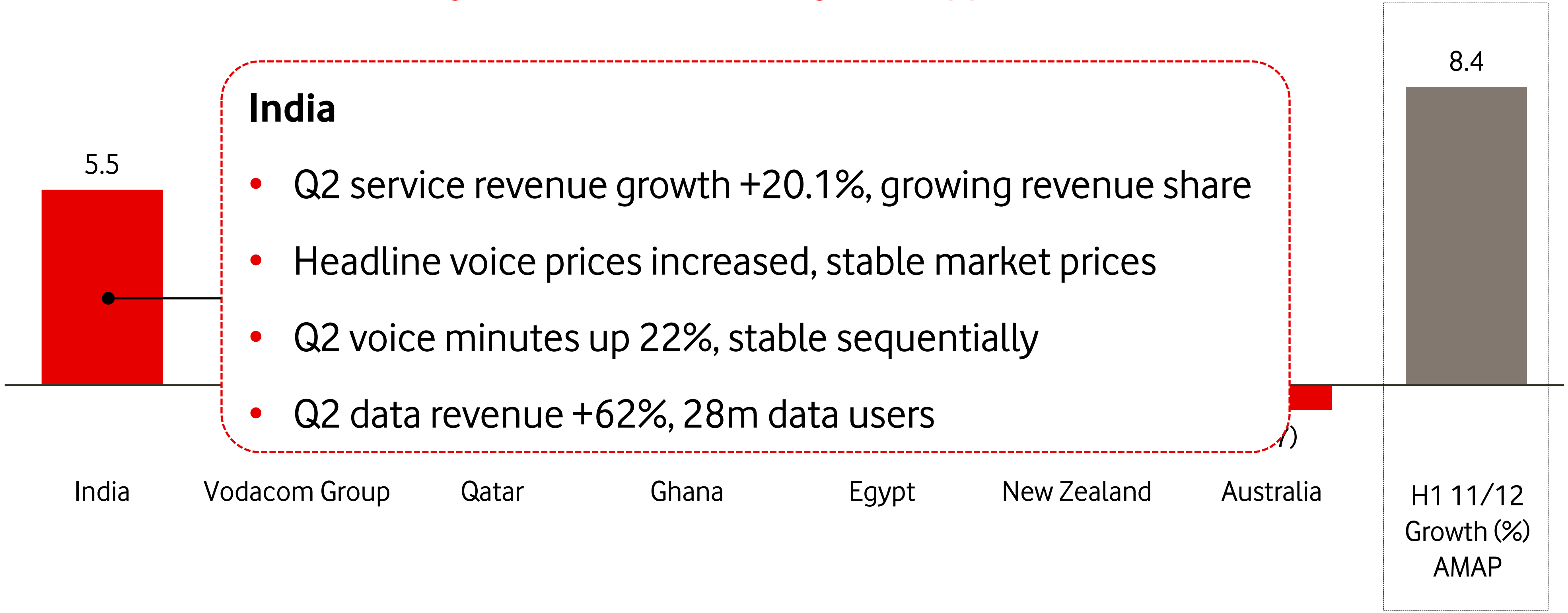

- AMAP service revenue growth +9.5% excluding MTR impact



All growths shown are organic unless otherwise stated

# AMAP: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)

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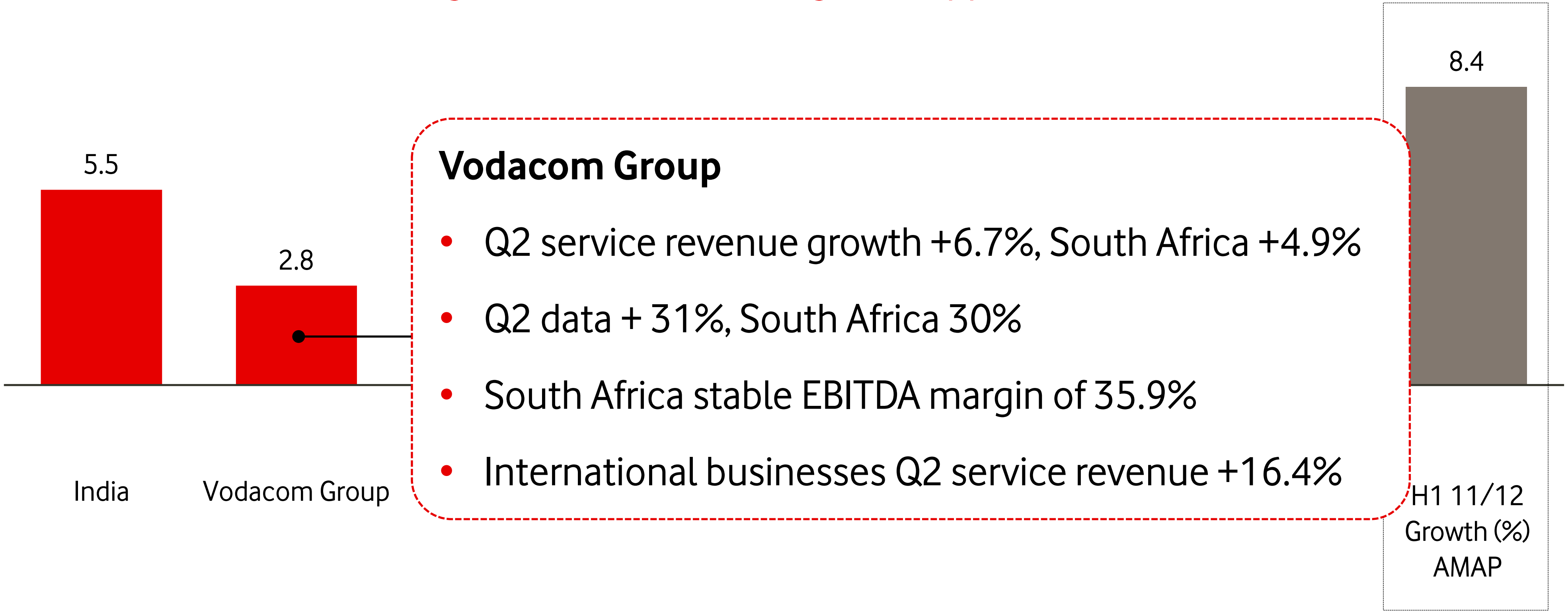
# AMAP: contributions to service revenue performance

## Contribution to H1 11/12 organic service revenue growth (ppt)



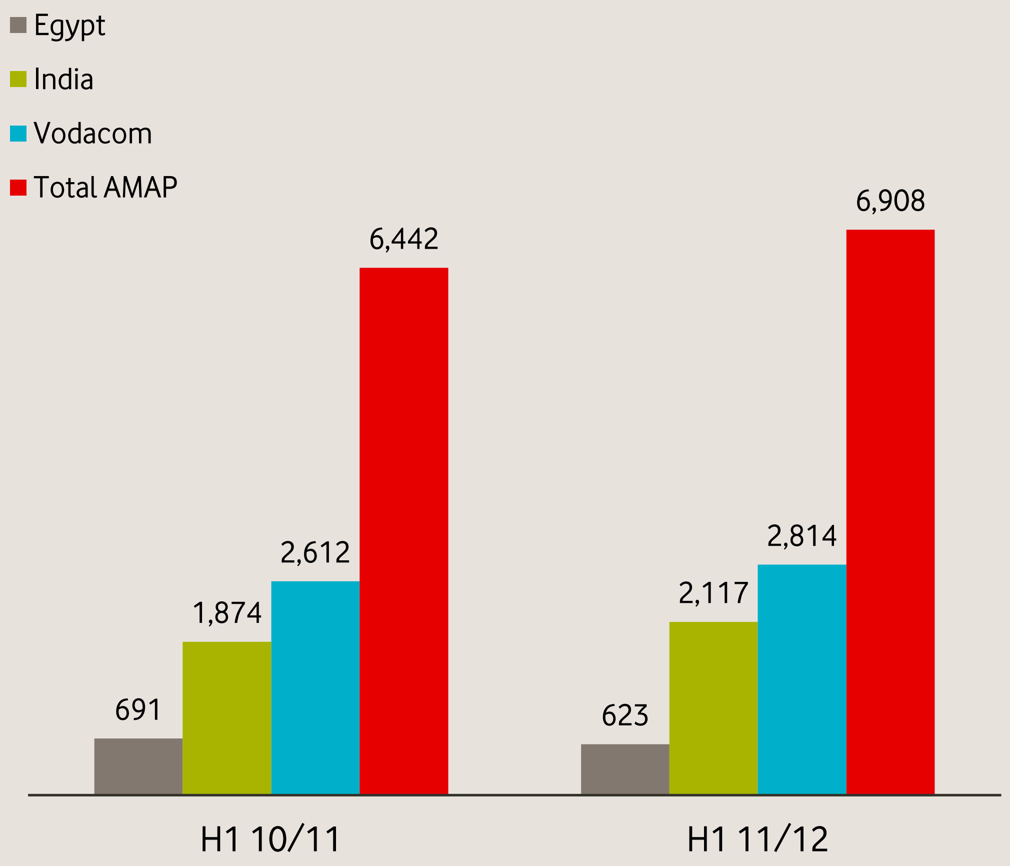

**Vodacom Group**

- Q2 service revenue growth +6.7%, South Africa +4.9%
- Q2 data + 31%, South Africa 30%
- South Africa stable EBITDA margin of 35.9%
- International businesses Q2 service revenue +16.4%

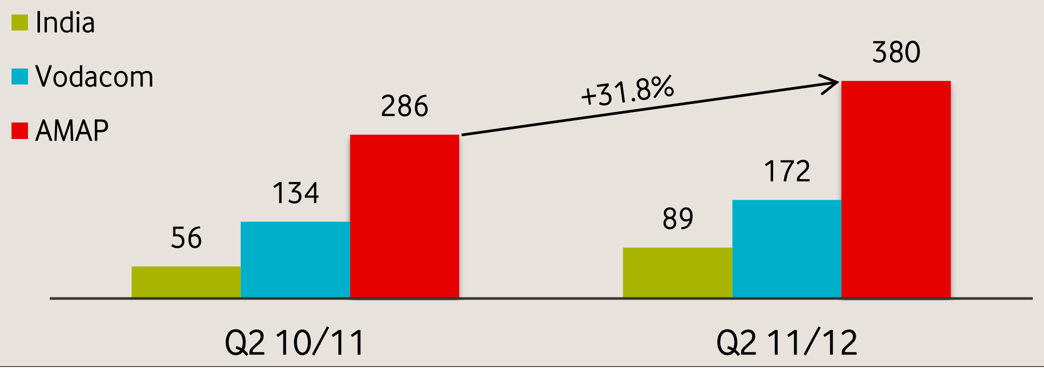
 All growths shown are organic unless otherwise stated

# AMAP: growth remains strong

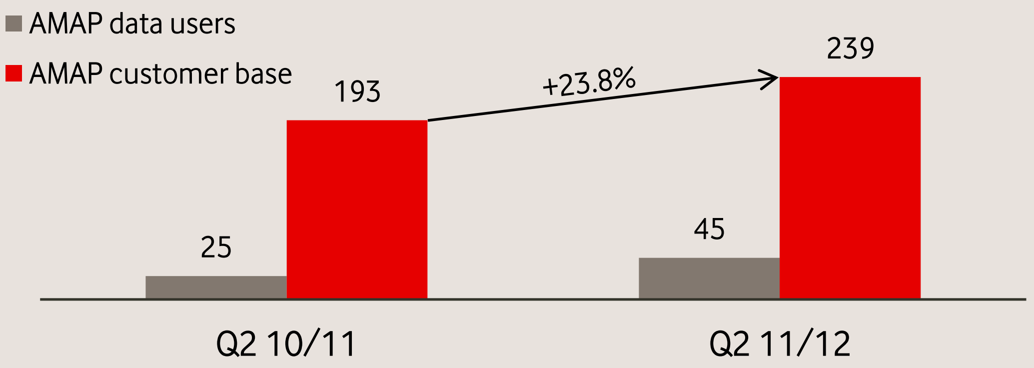
## Total revenue (£m)




## Data revenue (£m)




## Customers (m)

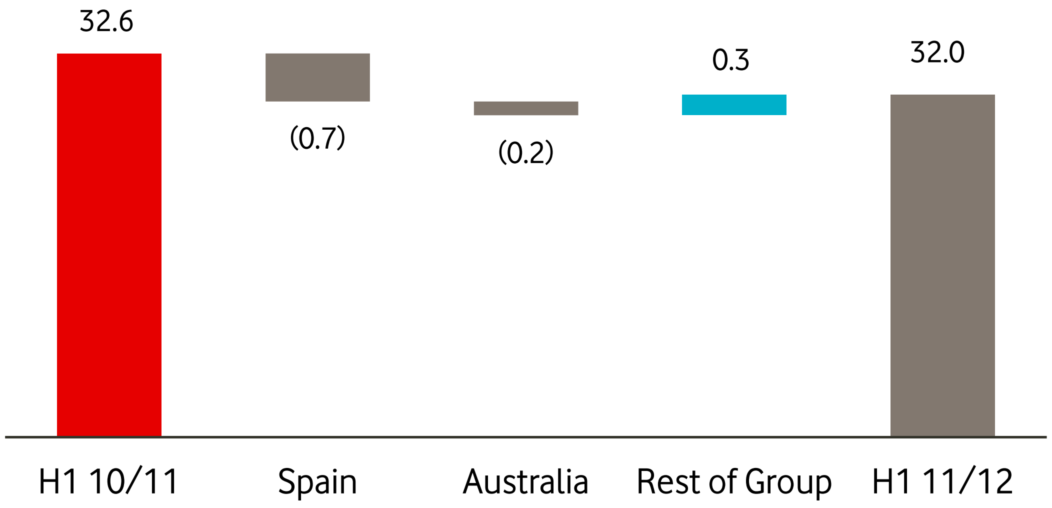





All growths shown are organic unless otherwise stated

# EBITDA margin drivers: focused customer investment, cost control

## Group EBITDA margin movement (%)



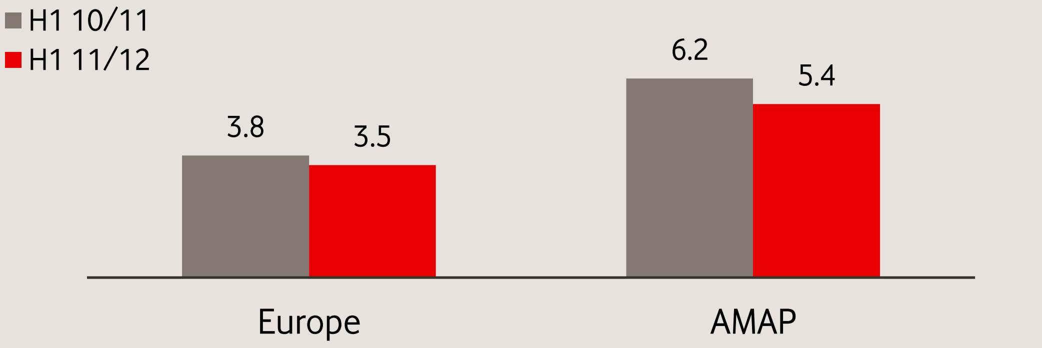

- Europe:
  - Spain; continued economic weakness, lower pricing
  - Targeted customer spend; smartphone investment
  - Organic cost control, opex -4.4%[1]
  - Flat technology costs
- AMAP:
  - Customer investment driving strong revenue growth
  - Australia network issues impacting performance
  - Rising commercial costs; fuel price inflation
  - Mix, higher contribution from India



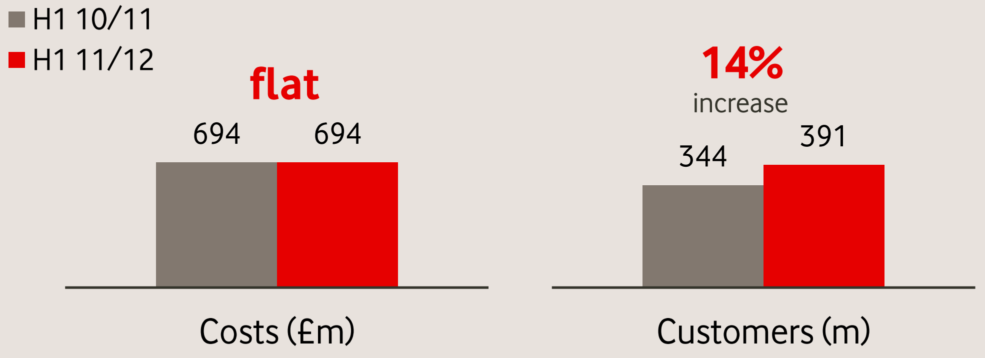
1. Organic growth, Europe and common functions

# EBITDA margin: initiatives to control costs

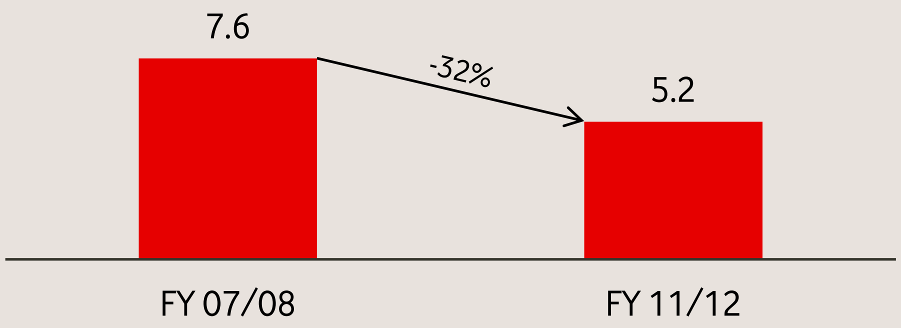
## Prepaid commissions/prepaid service revenue (%)



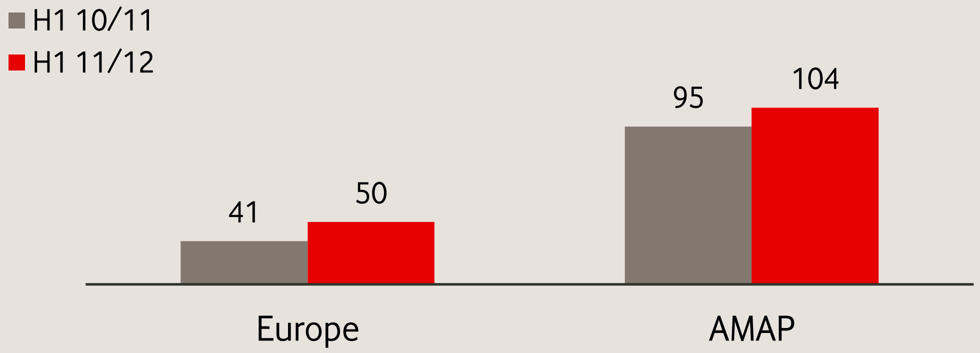

## Customer care




## Terminals logistics (€ costs per unit)



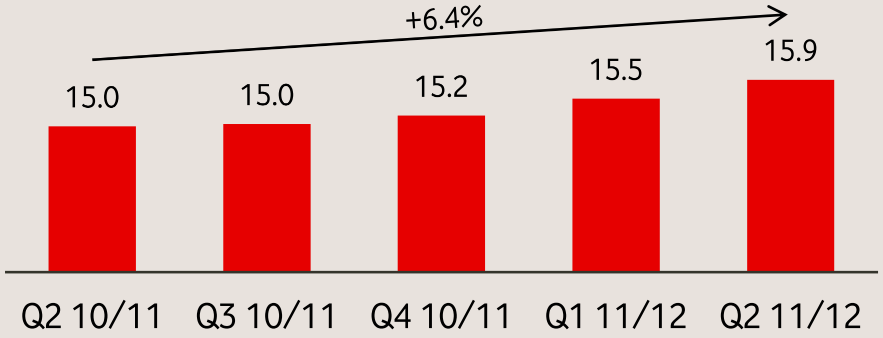

## Shared network sites '000s




 All growths shown are organic unless otherwise stated

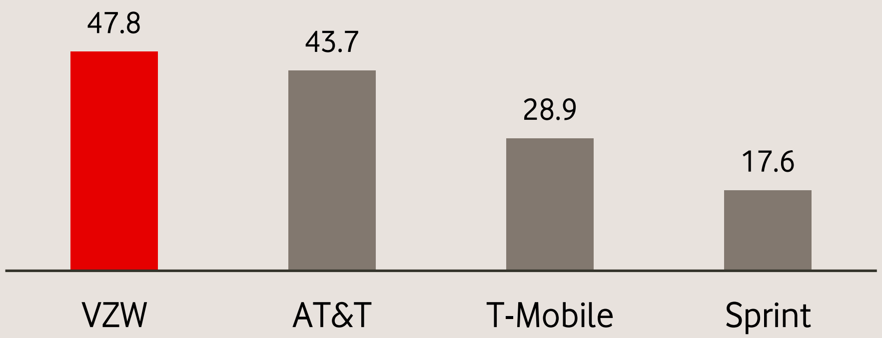
# Verizon Wireless: delivering profitable growth

## Service revenue ($bn)[1]

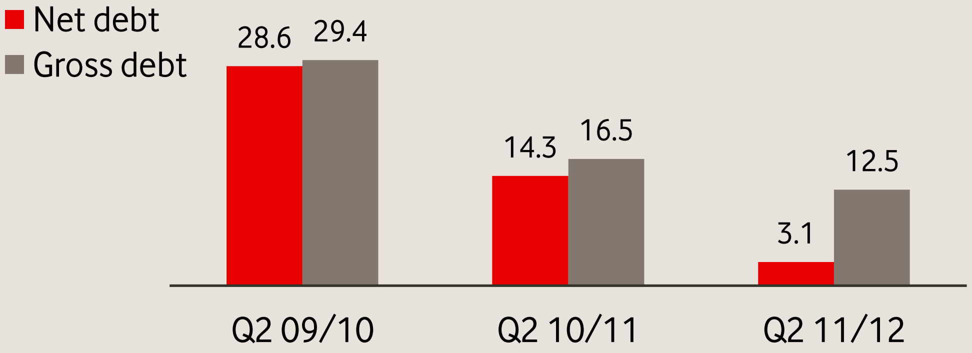



- Q2 service revenue +6.4%[1]:
  - Highest retail service revenue growth since Q1 09/10
  - Retail postpaid ARPU +2.4%
  - Retail postpaid net adds of 0.9m, 95% of retail base
- Industry leading EBITDA margin[2]:
  - Q2 margin +2.4ppt sequentially
  - Strong cost efficiency helping to mitigate device subsidies

## Wireless: US EBITDA margin[2] (%)




## Debt ($bn)

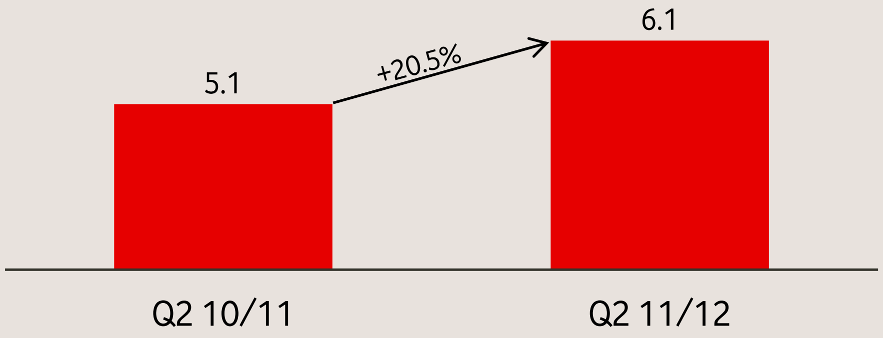



All growths shown are organic unless otherwise stated and financial highlights reported on a 100% IFRS basis unless stated otherwise

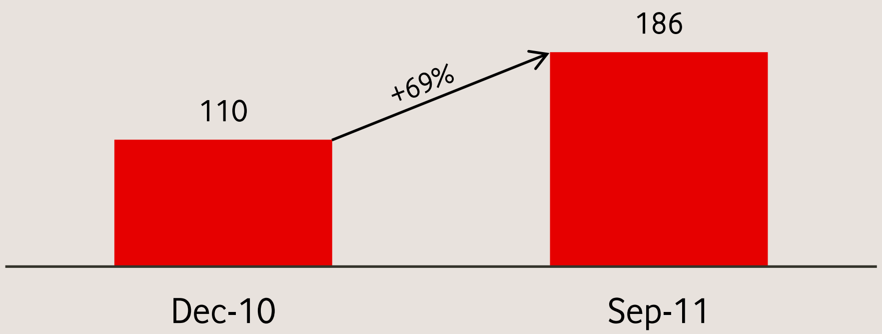
1. Organic revenue growth excludes divested properties
2. US EBITDA margin = EBITDA / service revenue for the 3 months ended 30 September 2011, except for T-Mobile which is for the 12 months ended 31 March 2011

# Verizon Wireless: growth driven by data

## Data revenue[1] ($bn)




## LTE ahead of schedule (population coverage m)




- Q2 data revenue[1] +20.5%:
  - Data[1] now 41% of service revenue[2]
- Strong smartphone sales continue:
  - 60% of Q2 postpaid sales were smartphones
  - 39% smartphone penetration[3]
- Industry leading customer loyalty
  - 11% retail postpaid churn

1. VZW definition, data revenue includes messaging, measured according to US GAAP
2. VZW definitions and US GAAP measures
3. Penetration of retail postpaid customer base

# Increased costs of financing

| | H1 11/12 £m | H1 10/11 £m |
|---|---|---|
| **Underlying net financing costs** | **(684)** | **(557)** |
| Mark to market losses | (183) | (37) |
| Potential interest on tax | (36) | (47) |
| **Recurring net financing costs** | **(903)** | **(641)** |
| Softbank asset accretion | 8 | 119 |
| Other dividends received | 2 | 82 |
| **Adjusted net financing costs** | **(893)** | **(440)** |
| **Average cost of debt** | **4.9%** | **4.0%** |

- Decision to increase fixed rate debt instruments
- Average 76% fixed over next 3 years
- Prior year benefits non-recurring
- Biggest driver of adjusted EPS reduction
- Cash cost flat year on year

# Free cash flow

| | H1 11/12 £bn | H1 10/11 £bn |
|---|---|---|
| **EBITDA** | **7.5** | **7.4** |
| Capital additions | (2.6) | (2.4) |
| Working capital | (1.3) | (0.4) |
| Taxation | (1.0) | (1.1) |
| Net interest | (0.6) | (0.6) |
| Dividends received | 0.7 | 0.8 |
| Dividends paid | (0.2) | (0.2) |
| Other | 0.1 | - |
| **Free cash flow** | **2.6** | **3.5** |

- Capital investment slightly accelerated:
  - 3G site deployment in India
  - Vodacom network transmission upgrades
  - LTE roll out in Germany
  - Australia network enhancement
- Higher working capital outflow:
  - Unusually low prior year outflow
  - £0.7bn capital expenditure phasing effect
- Full year guidance confirmed

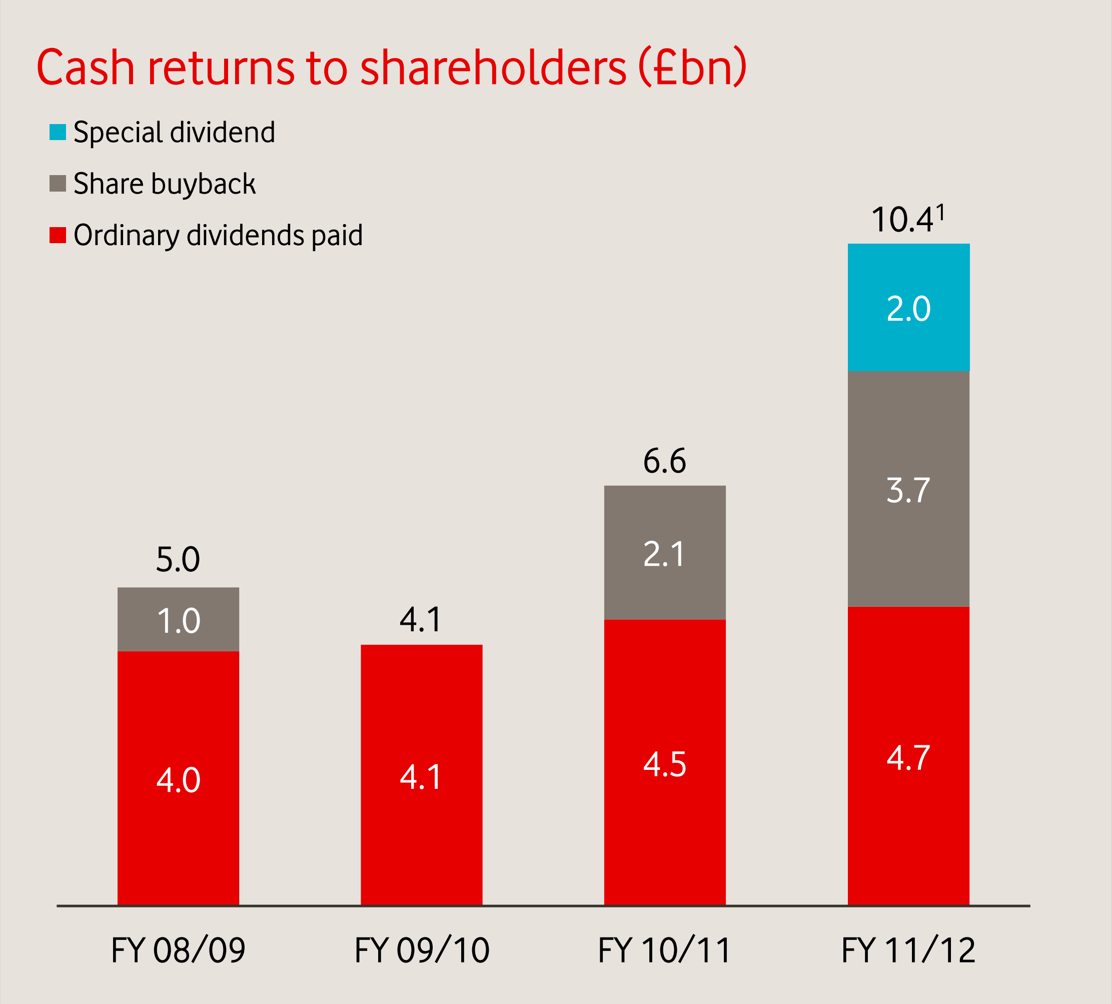
# Net debt reduced

| | £bn |
|---|---|
| **Opening net debt 31.03.11** | **(29.9)** |
| Free cash flow | 2.6 |
| SFR disposal proceeds | 6.8 |
| Share buyback | (1.8) |
| Equity dividends paid | (3.1) |
| Spanish spectrum prepayment | (0.3) |
| Essar transactions | (0.3) |
| Foreign exchange | 0.1 |
| Other | (0.3) |
| **Closing net debt 30.09.11** | **(26.2)** |

- SFR proceeds £6.8bn received Q1
- Share buy back programmes, £0.7bn China Mobile, £1.1bn SFR[1]
- Essar transactions $460m[2]
- Low single 'A' credit rating maintained; Moody's upgraded
- H2 11/12 cash flows:
  – Polkomtel disposal proceeds £0.6bn net of tax
  – VZW £2.8bn/£2.0bn special dividends
  – Share buyback £1.9bn at current run rate
  – Italian spectrum €1.26bn

1. £2.2bn spend as at 7 November 2011, being £0.7bn China Mobile programme and £1.5bn SFR programme
2. $5.46bn total transaction value, $5.0bn already included in net debt. £1.2bn paid to Essar on 1 June 2011 and £1.4bn on 1 July 2011

# Strong shareholder returns, effective portfolio management




- £15.0bn raised through recent disposals
- £3.9bn share buybacks completed in 12 months[2]
- Dividend per share growth target at least 7% p.a. to 2013
- £2.0bn special dividend to be paid 2012
- Aggregate **£26.1bn** equates to 30% of market cap

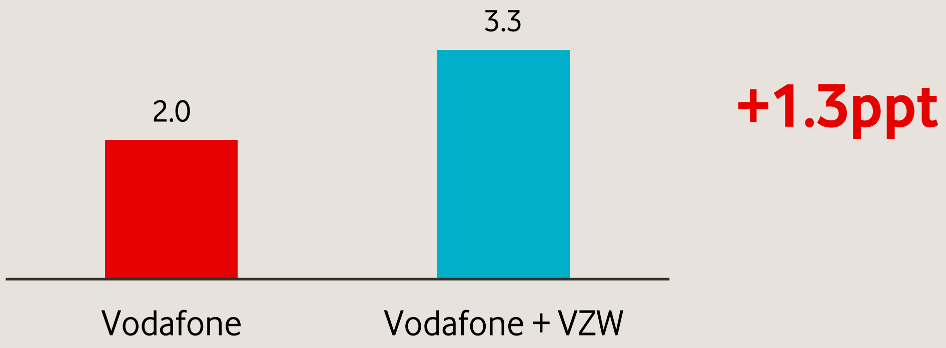
verizonwireless — $10.0bn dividend to be paid in Jan 2012

SFR — £6.8bn realised; commercial cooperation in place

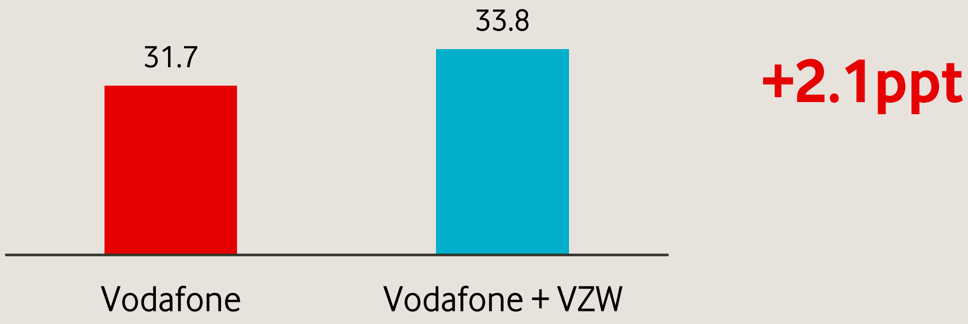
1. Estimate includes £0.7bn China Mobile share buyback, £3.0bn SFR share buyback, £2.0bn special dividend, £4.7bn ordinary dividend (51.1bn shares in issue, final dividend 6.05p, interim dividend 3.05p)
2. At 30 September 2011, £2.8bn China Mobile programme complete, £1.1bn of £4.0bn SFR programme complete

# Vodafone's scale and growth, including Verizon Wireless

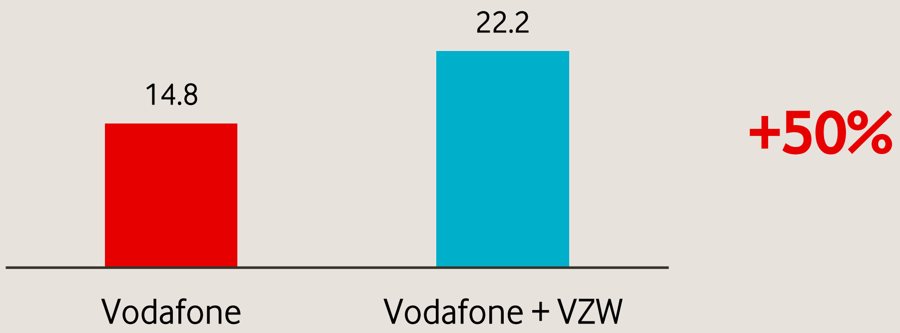
## Service revenue growth (%)[1]



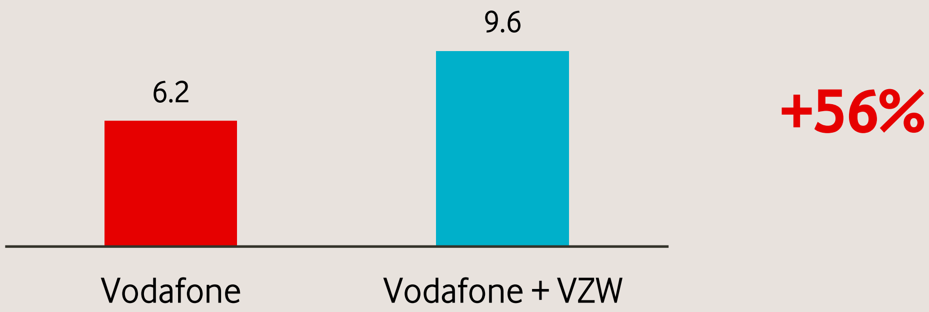

## EBITDA margin (%)[2, 3]




## EBITDA (£bn)[2, 3]




## Free cash flow (£bn)[3]




1. Organic service revenue reported for Vodafone Group Plc plus proportionate organic service revenue for Verizon Wireless reported under IFRS and excluding trust markets. Average of last 5 quarters
2. EBITDA reported for Vodafone Group Plc plus proportionate EBITDA for Verizon Wireless reported under IFRS. Margin measured over total revenue
3. Results from past 12 months

# FY 11/12 guidance

| | Adjusted operating profit £bn | Free cash flow £bn |
|---|---|---|
| FY 11/12 guidance[1] given May 2011 | 11.0 – 11.8 | 6.0 – 6.5 |
| FY 11/12 guidance[1] November 2011 | **11.4 – 11.8** | **6.0 – 6.5** |

- AOP guidance improved to the upper half of range
- Capital expenditure is expected to be at a similar level to FY 10/11 on a constant currency basis

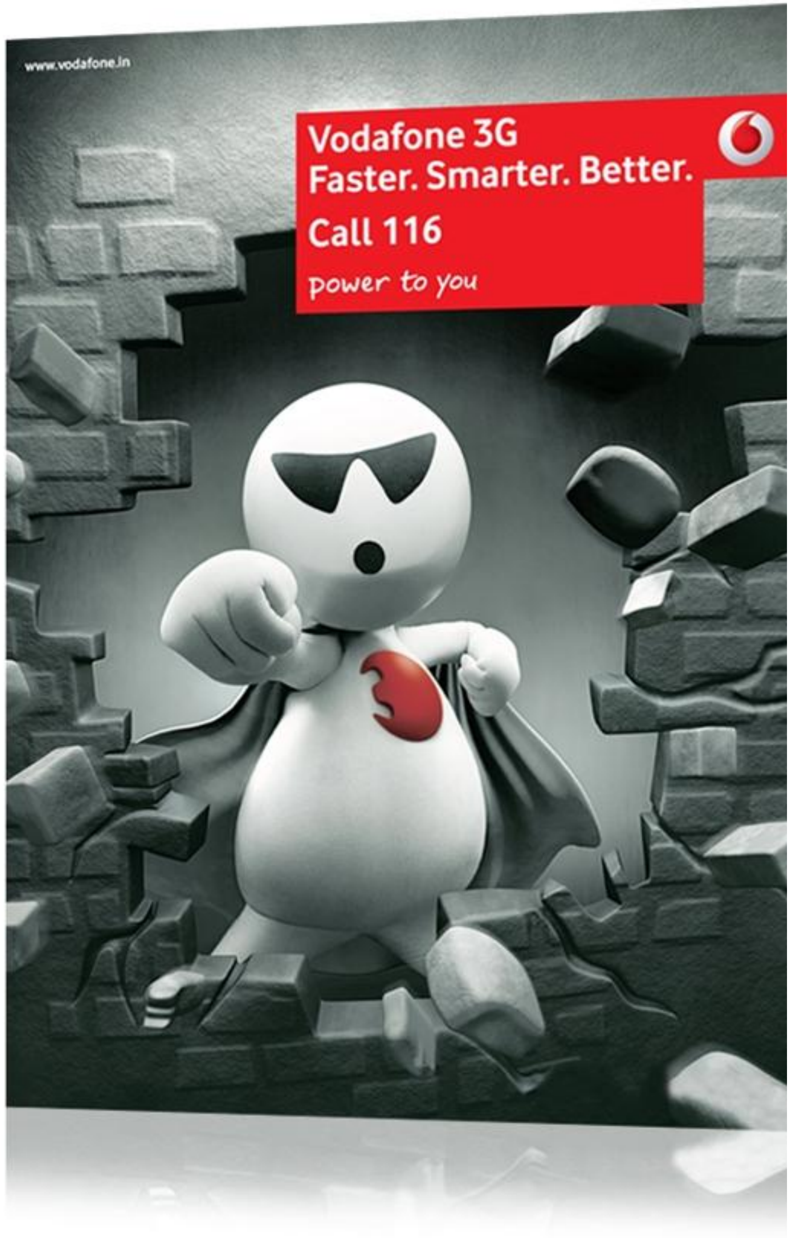
1. Guidance for the 2012 financial year and the medium-term is based on our current assessment of the global economic outlook and assumes foreign exchange rates of £1:€1.15 and £1:US$1.60. It excludes the impact of licence and spectrum purchases, the special Verizon Wireless dividend, material one-off tax related payments and restructuring costs and assumes no material change to the current structure of the Group

# Consistent performance reflects continuing execution of strategy

- Improving operational performance:
  - Growing revenues and market share
  - Encouraging margin progress
- Controlling capital:
  - Targeted capital investment to drive returns
  - Strong free cash flow
- Increased returns to shareholders:
  - £6.8bn committed to share buybacks
  - Dividends per share +7.0%
  - £2.0bn special dividend, 4.0 pence per share
- FY 11/12 AOP guidance improved

# Commercial and strategic progress

Vittorio Colao

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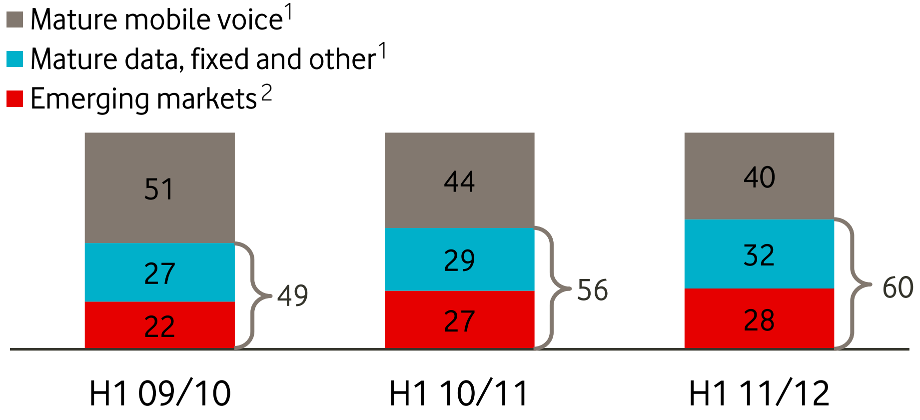
# Contents

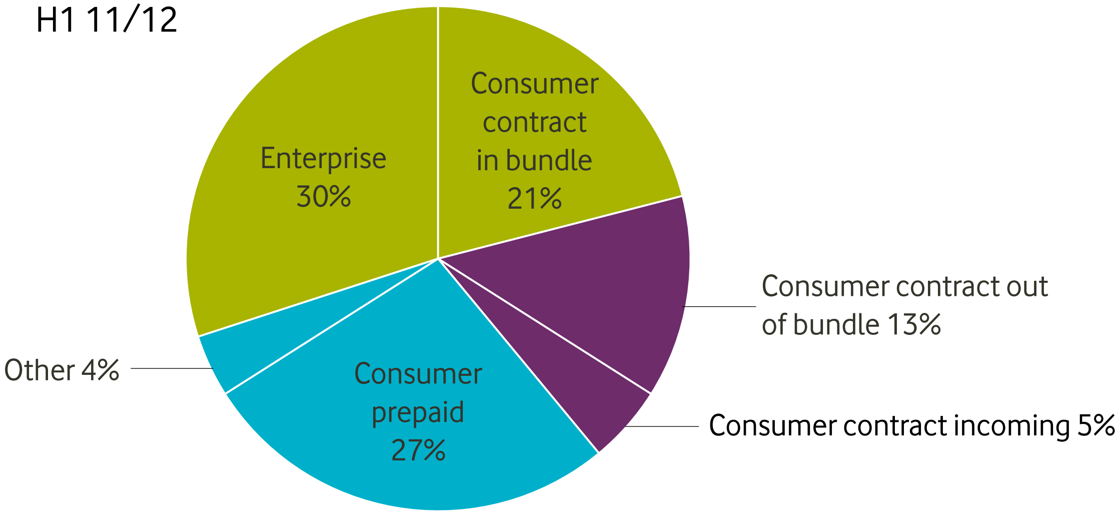
# Evolving the Group towards data and emerging markets

## Increasing contribution beyond mature voice (%)




## Europe mobile service revenue mix

H1 11/12




- Rebalancing the revenue mix (Q2 growth):
  - Europe mobile voice **-8.9%**
  - Europe data **+21%**
  - Emerging markets **+13%**

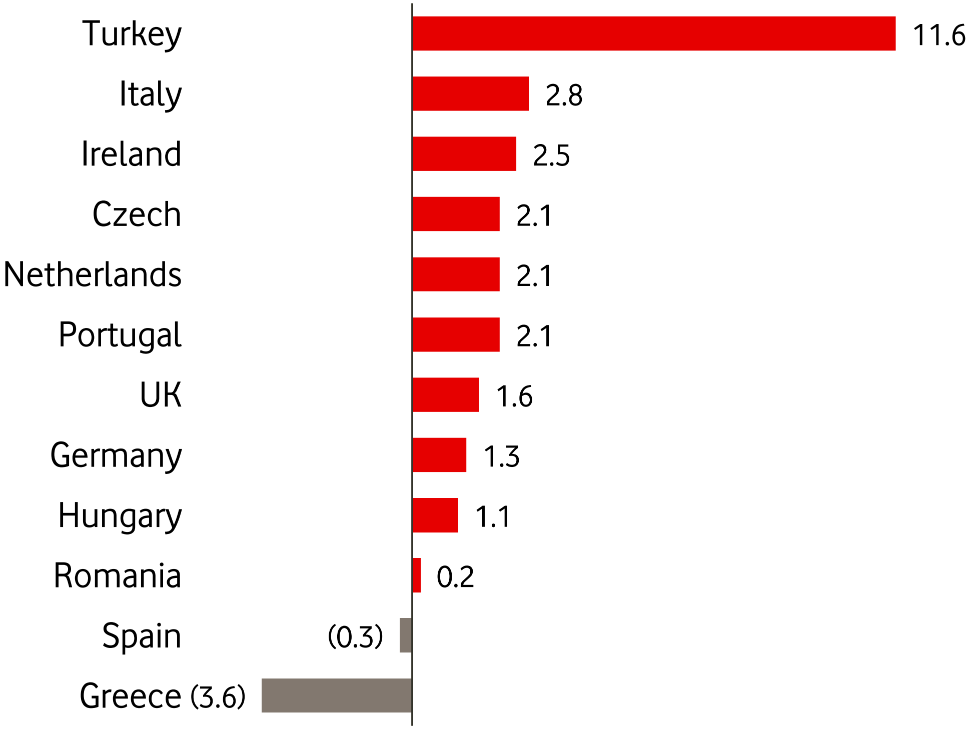
- Driving profitable data growth
  - **18%** of Europe mobile revenues are out of bundle / incoming
  - Managing risks: Q2 **36%** of Europe consumer contract revenue from integrated plans (+9ppt vs. Q4 10/11)

1. Service revenue: Europe, Eastern Europe (excluding Turkey) Australia & New Zealand
2. Service revenue: Turkey, Vodacom, India, Egypt, Ghana & Qatar

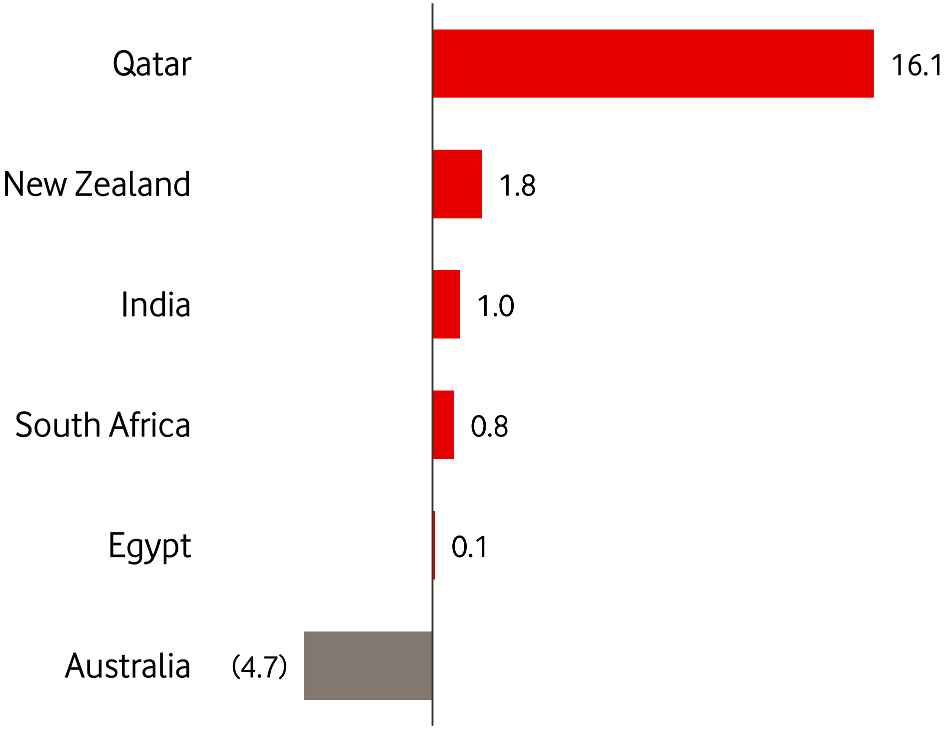
# Increased revenue share in most markets

## Mobile revenue share growth vs. primary competitor; year end Q1 11/12 vs. year end Q1 10/11 (ppt)[1]

### Europe




### Africa, Middle East and Asia Pacific



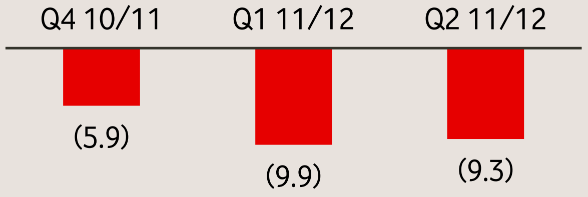

1. Vodafone. Total communications for New Zealand. Data to Q4 for South Africa

# Spain: turnaround actions delivering early results

## The challenge

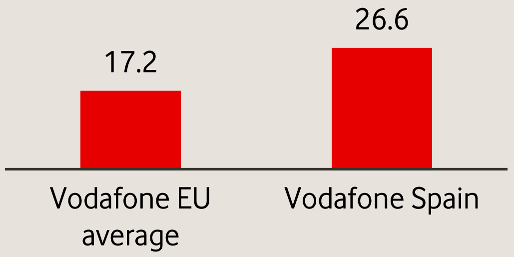
- Weak economy and very competitive market

Organic service revenue growth (%)




- Structural pressures: relatively high A&R costs

Net A&R/Service revenue H1 (%)




## Our actions

- Enhance **price competitiveness:** introduced €c8 and €c6 tariffs
- **Customer base management**; push integrated plans
- Improve **customer care** and **IT processes**
- Reduce **commercial costs:** 24 month contracts and lower commissions

## Initial results

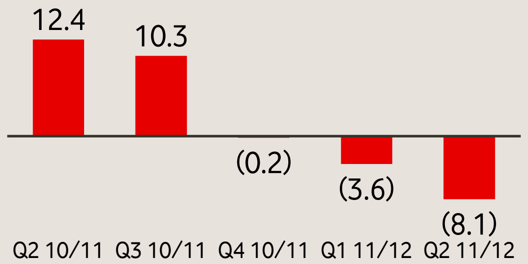
- ARPU of new contract customers c.**€8** higher than base
- Back to positive net ports; **29k** in Q2
- Increased contract net adds share to **22%**(e) (from 12% in Q1)
- **>⅓** of consumer contract gross adds on 24 month contracts
- **10%** reduction in channel costs

**Revenue and EBITDA remain under pressure, but commercial metrics improving**

# Australia: turnaround actions

**Network issues** in late 2010 / early 2011 impacted customer perception

Organic service revenue growth (%)




**Investing in coverage, speed and quality**

Network roll-out plan (sites)

| | Total announced | Live now[1] |
|---|---|---|
| 3G 850MHz layer | 1,500 | 900 |
| RAN swap-out | 8,000 | 2,000 |

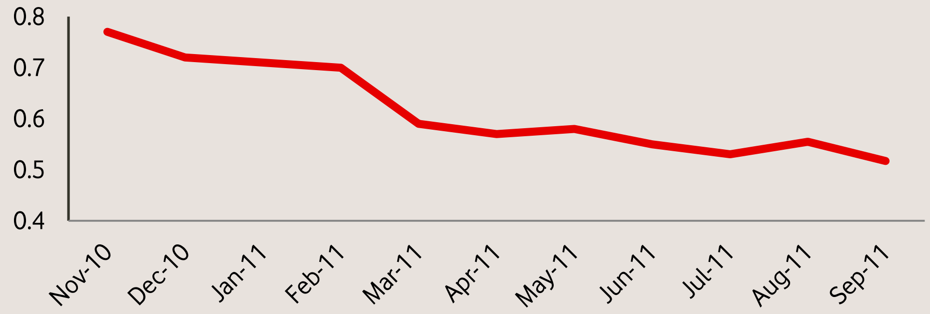
**Rebuilding the brand:**

- Network focused advertising campaign underway
- **100%** of stores rebranded to Vodafone
- **177** stores closed, **154** refitted

**Integration progressing:** already exceed synergy NPV target of AUD2.0bn

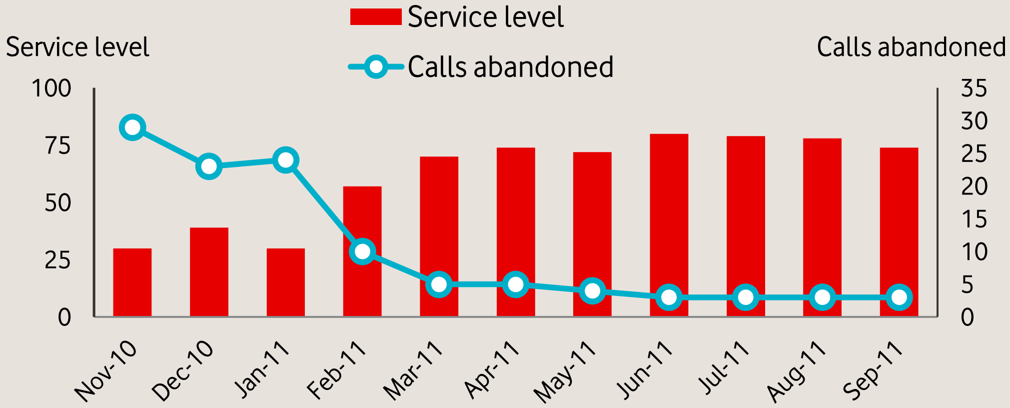
**Network metrics continue to improve**

Metro 3G call drop rate (%)




**Customer service improving**

Customer service indicators (%)




1. 7 November 2011

# Focus on areas of growth potential

1 **Supermobile:**
accelerating mobile data growth opportunity

- Network & IT
- Customer experience
- Devices
- Pricing & Profitability

2 **New services:**
expanding in new growth areas

3 **Total communications:**
continue to develop services

# Building the best network

**Acquire and optimise spectrum:**

**Acquire spectrum:** attractive 800 MHz acquired in Germany, Italy and Spain

**Spectrum refarming** in **4** markets: improves coverage for data where we have voice[1]

**Network building blocks**

**High Speed Radio**

**HSDPA+: 78%** of 3G sites in Europe ≥14.4 Mbps downlink (+11ppt during H1)

**HSUPA: 53%** of 3G sites in Europe ≥3Mbps uplink (+9ppt during H1)

**LTE:** Germany **1,300** sites live, average **6-12Mbps** user download speed[2]

**High capacity backhaul**

IP Microwave, Fibre or managed ethernet connected to **29%** of EU sites(+9ppt during H1)

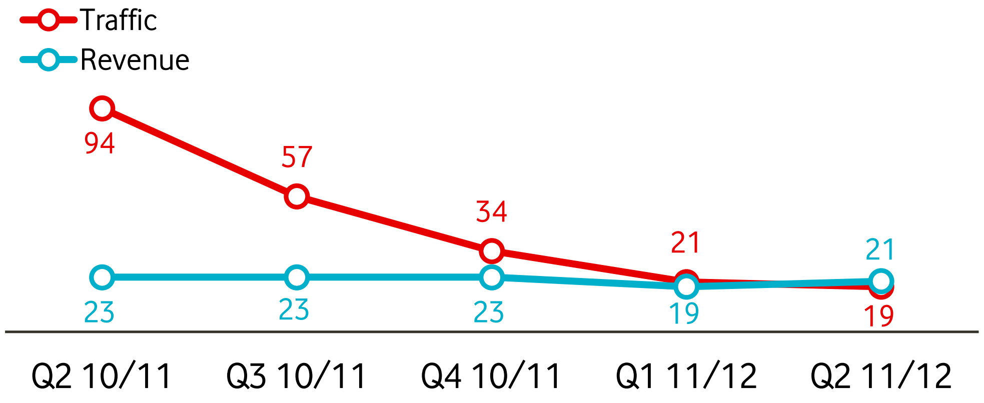
**Single RAN equipment**

In **12%** of sites in our **7** largest markets (+7ppt during H1)

1. 900MHz in Italy, Spain, UK, South Africa
2. During busy hour

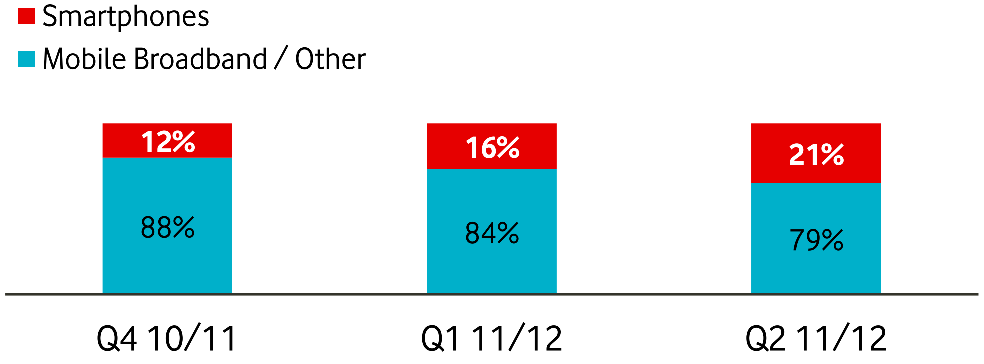
# Network: driving data revenue while managing traffic

## Europe data traffic and revenue growth (%)

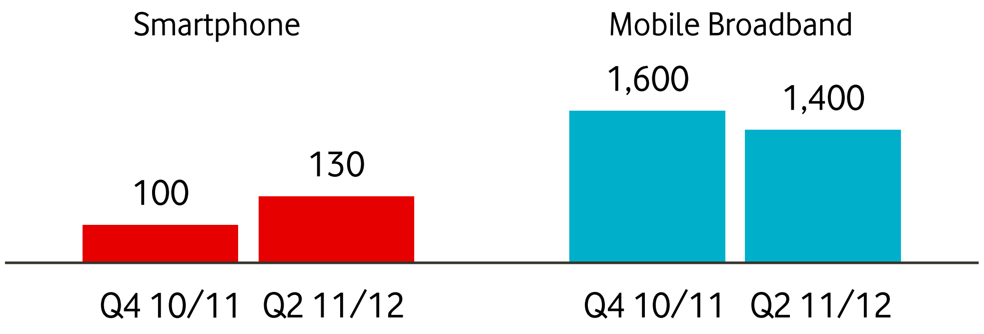



- Web/Video traffic optimisation in **9** markets; **15-30%** volume cuts
- **20-30%** reduction in peer to peer traffic in key markets
- Traffic mix moving to smartphones
- Maintaining network strength in Europe: leading data performance in **11 out of 13** markets[1]; 3G capacity utilisation stable at **37%**[2]

## Europe data traffic mix (%)




## Europe monthly usage per user (MB)

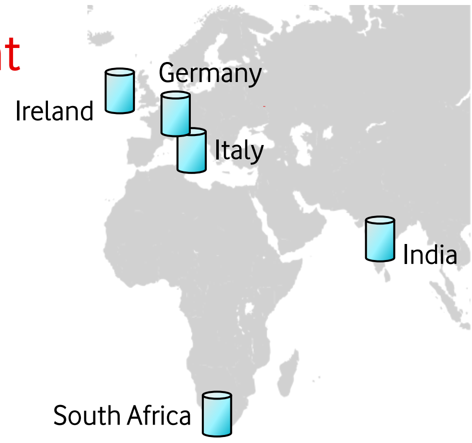



1. September 2010 to July 2011
2. Average busy hour utilisation

# IT excellence: enhancing efficiency and effectiveness

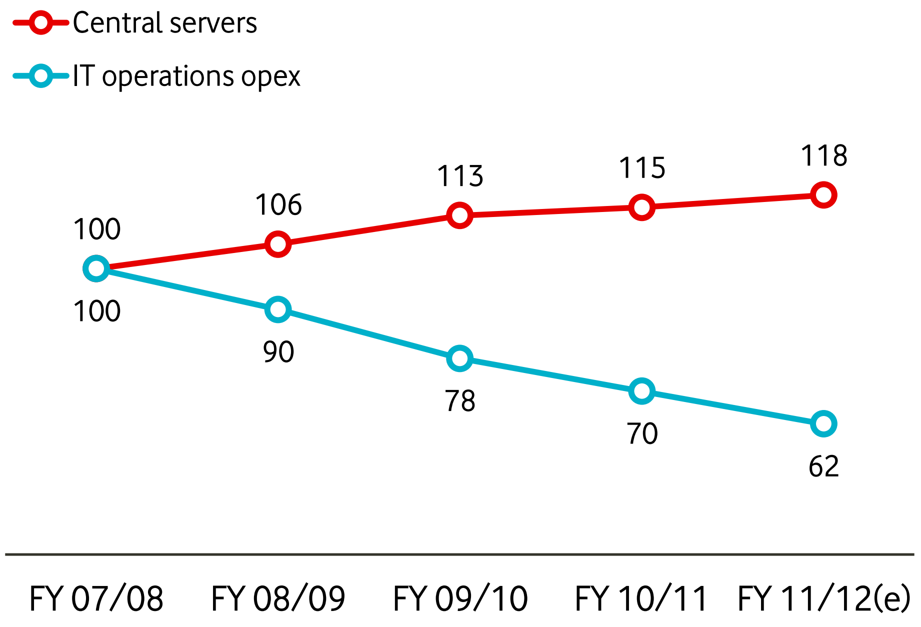
- **Standard information services deployed:** standard SAP ERP system in **11** markets
- **Optimise sourcing:** shared service centres for all Group functions in **3** markets
- **Vendor consolidation for new investment:** CRM and Product catalogue reducing from **8 to 2** suppliers
- **Operations efficiency using "cloud" architecture:** Gartner data centre benchmark: **top quartile** cost and efficiency

## Data Centre footprint




## Europe Data Centres

### Efficiency: IT operations opex and centrally managed servers (index)



# Customer experience: differentiating through ease and simplicity

## Retail

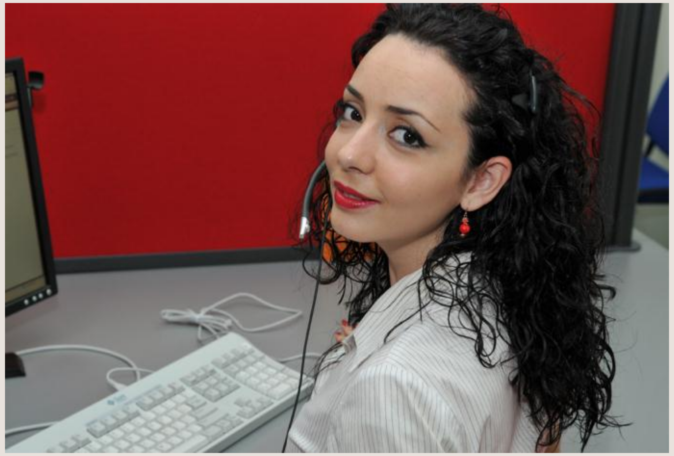
**New retail experience model** in deployment: NPS increase from **26 to 35** (UK pilot)


## Online

**Enhance online**: **>50%** of bills in Europe now online


## Contact centre

**Social media & crowd sourcing**: **55m** annual visits to Vodafone Facebook, YouTube and Forum

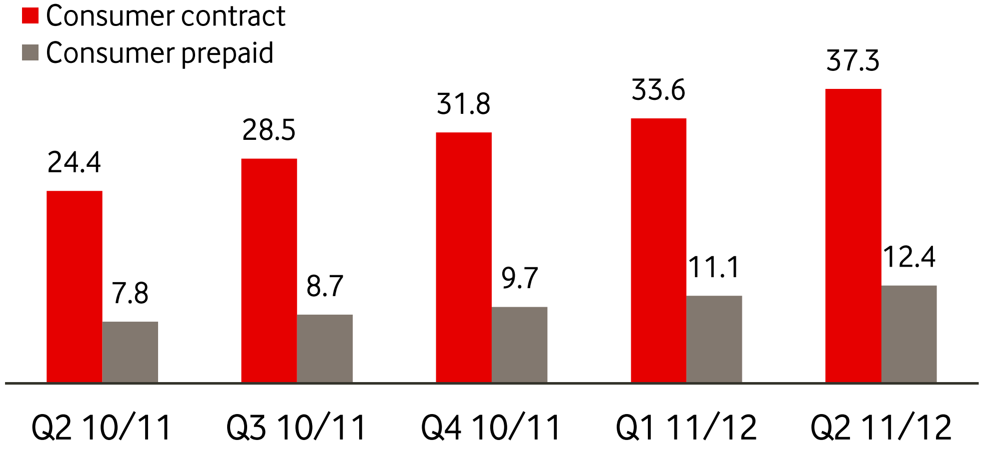


## Mobile self-care

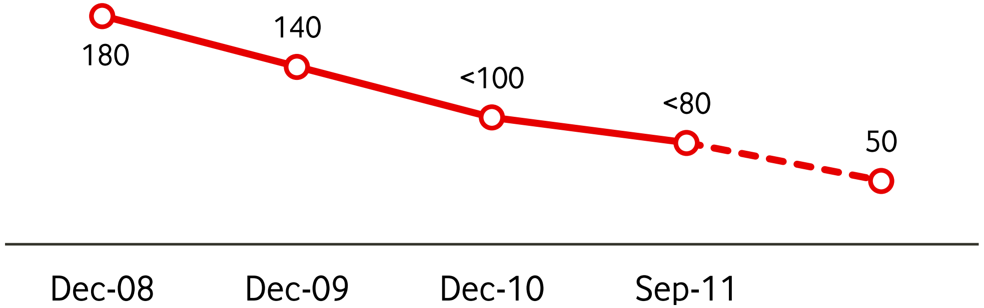
Easy and simple **help on mobile devices** live in **14** markets

# Devices: controlling commercial costs and democratising data

## Europe smartphone base penetration (%)




## Entry smartphone price trends[1] (€)




1. Purchase prices
2. Retail price shown are unsubsidised

- Smartphone penetration now **22%** of Europe base
- All devices purchased above €100 are smartphones
- **32%** of smartphone purchases in €65-95 range (+6% QoQ)
- Democratising data: strong take up of successful own brand devices

Vodafone Smart 858
€99 retail (Italy)

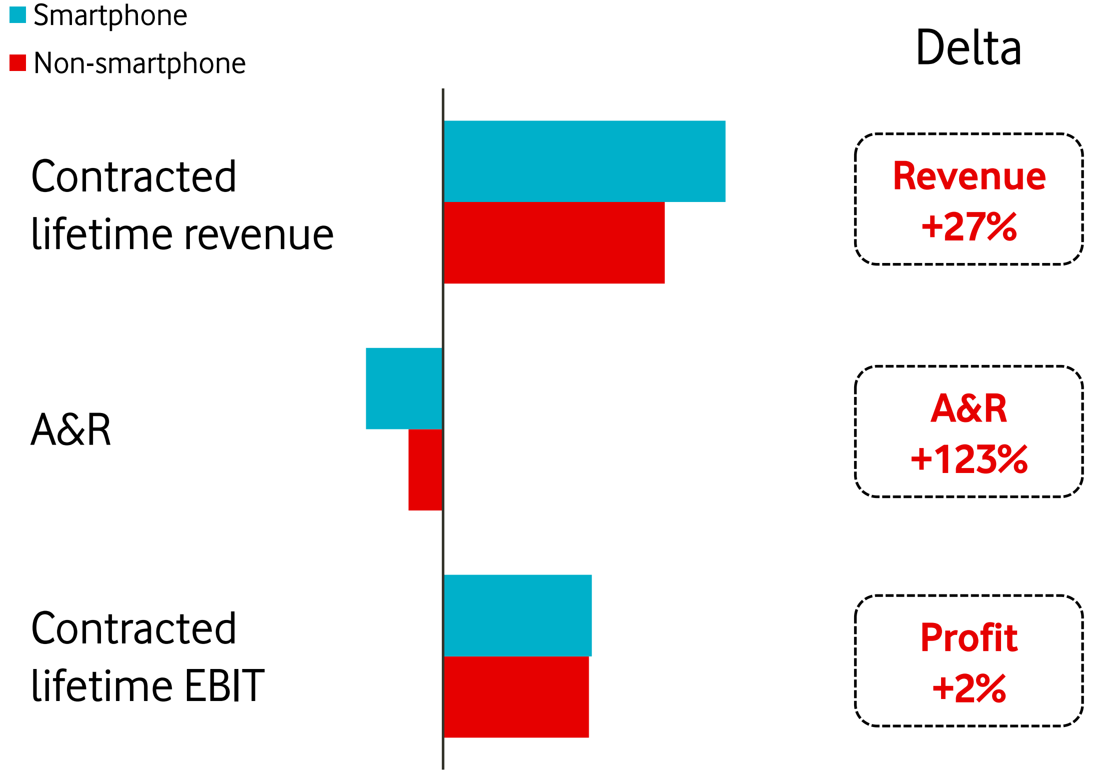
Vodafone Smart Tab 10"
€399 retail (Germany)

Vodafone Blue 555 (Facebook) £55 retail (UK)

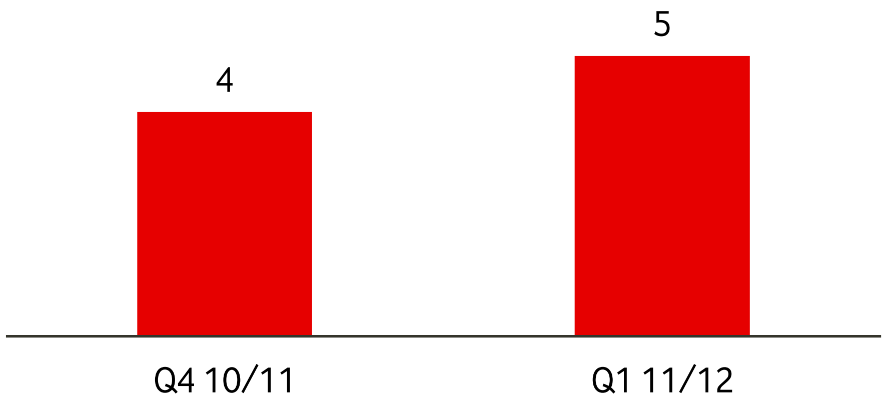
# Pricing & Profitability: encouraging early trends in data economics

Consumer contract Smartphone vs. non-smartphone upgrades

## Europe average customer (€)




## Europe average ARPU uplift (€)




In expected €2-10 range

# Pricing & Profitability: levers for profitable data growth

| | | |
|---|---|---|
| **ARPU enhancement** | **Tiered pricing with entry data bundles**<br>**Push integrated tariffs**<br>**Driving smartphone data attach rate** | More pricing points up to 1GB<br>**24%** of European consumer contract base (+8ppt in H1)<br>**59%** in Europe (+15ppt YoY) |
| **Controlling A&R** | **Deeper portfolio of smartphones in all price ranges**<br>**Enhanced CRM** | Own branded data devices and low cost smartphones for mass market and prepaid users<br>“Next best activity” / “Single view of customer” capability to better match A&R with value |
| **Customer lifetime value** | **Lengthen typical contract terms** | Spain and Ireland: introduced **24** month contracts<br>M2M: average contract length of **48** months and rising |

# Focus on areas of growth potential

1 **Supermobile:**
accelerating mobile data growth opportunity

- Network & IT
- Customer experience
- Devices
- Pricing & Profitability

2 **New services:**
expanding in new growth areas

3 **Total communications:**
continue to develop services

# Our new approach to new services

## Approach before

Vodafone live!


"Walled Garden" approach to the mobile internet

Vodafone 360

Fully vertically integrated


Wayfinder Maps


Single operator approach

## Approach now

Open standards


Mobile Internet

Integration of Vodafone and 3rd parties

Vodafone Operator Billing


NFC/M-payments

Joint operator approach

# New services: executing on growth opportunities

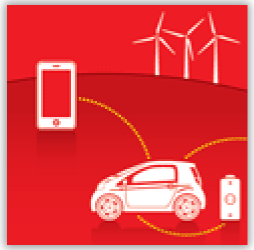
## Operator billing

Charge to bill service with:

Google NOKIA RIM


## Machine to machine

**6.2m** global connections



## Financial services

**27m** money transfer users

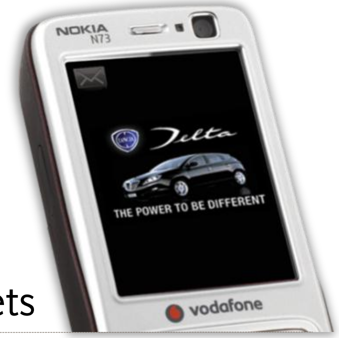
m-pesa

## Near field communications

JVs in UK and Germany


## Push mobile advertising

Platforms upgraded or launched in most markets



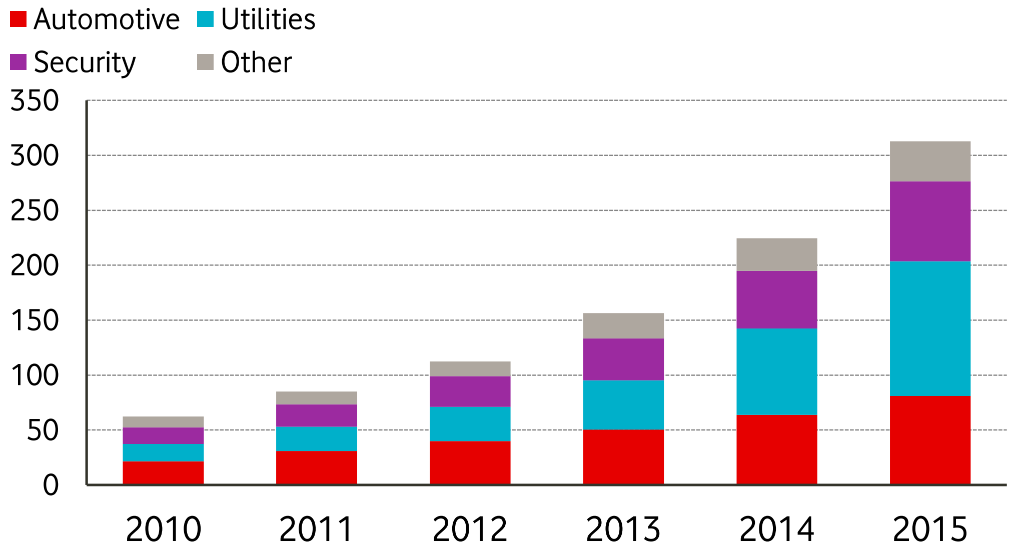

£250m p.a. revenue today[1]

£10bn addressable market opportunity by 2020[2]

1. Q2 11/12 annualised revenue
2. Vodafone

# New services: Machine to Machine

## Global active SIMs by segment (m)[1]




Car Telematics

Smart Metering

Home Automation

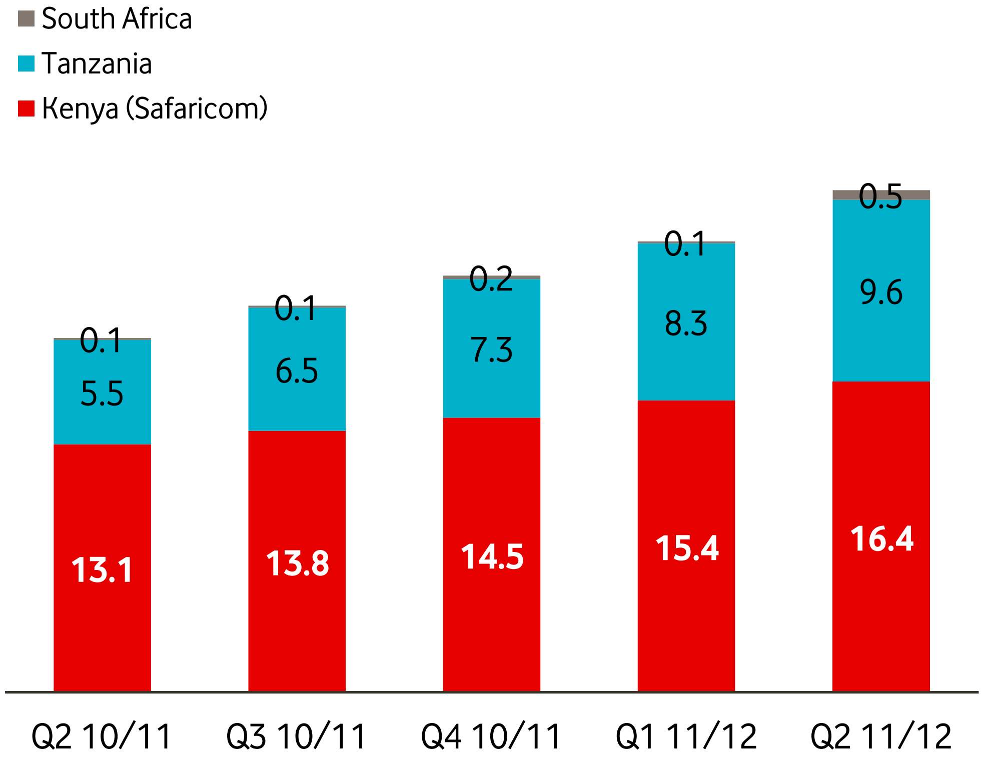
Monitored security alarm

- **Large opportunity**: €2.8bn connectivity market today. **4x** volume growth by 2015; mostly automotive, energy and security
- **Leveraging our strengths:**
  - Scale: widest in-market coverage in Europe
  - Global fully owned M2M service platform
  - Bespoke end to end service delivery via partnerships
- **Strong M2M performance:**
  - **33%** revenue growth in H1
  - **6.2m** M2M global connections

1. Analysys Mason, 2010

# New services: M-Pesa

## Registered customers (m)




***Our proprietary mobile money transfer service, which allows customers to send and receive money, pay bills and buy airtime***

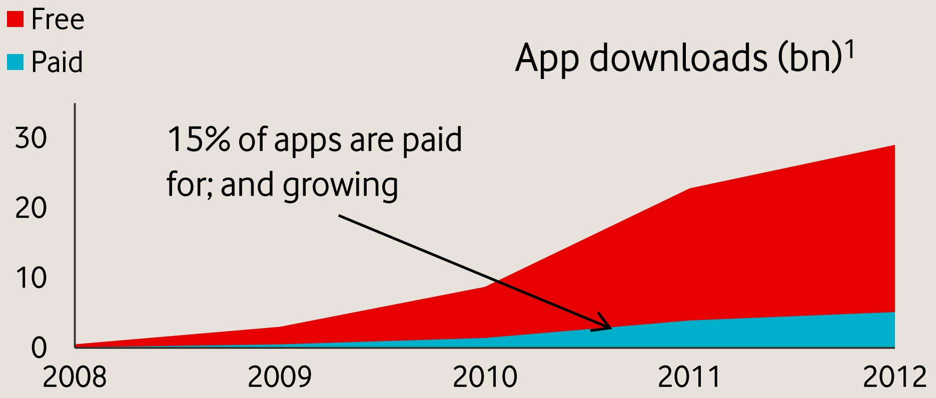
- **27m** registered users[1]
- Over **US$670m** transferred via mobile each month[2] (US$300m last year)
- **12.4%** of Safaricom revenue
- Further opportunities:
  - New markets: launched in India in Q2; targets the c.230m unbanked mobile phone users
  - Expand international remittances

Follow this code using your smartphone reader to view a video on M-Pesa

1. Registered customers does not include Afghanistan, Fiji, India and Qatar
2. September 2011

# New services: operator billing

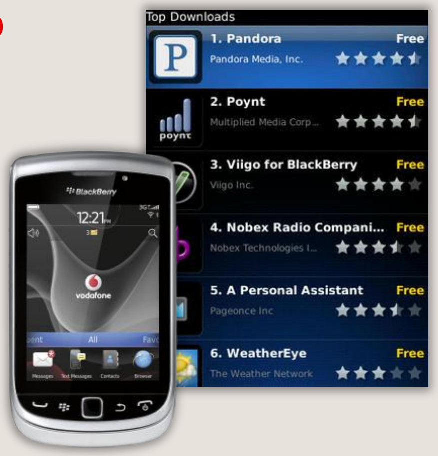
## More smart devices leading to increased app usage




## Charge for app purchases direct to your Vodafone phone bill

**70% of apps bought through BlackBerry App World paid for via operator billing**

**Operator billing has led to a 4-6x uplift in apps vs. credit card**




## Vodafone: first direct operator billing integration in Europe for Android, Nokia & BlackBerry App stores

| | Launch | Live markets |
|---|---|---|
| RIM | May 2011 | UK, IT, ES, NL, PT, GR, IE |
| NOKIA | June 2011 | UK, PT, IT, GR |
| Google | August 2011 | DE, UK live. IT and ES by end Q3 |

## Operator billing for every day use by Vodafone partners

la Repubblica

Bild.de



1. Strategy Analytics

# Focus on areas of growth potential

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3 **Total communications:**
continue to develop services

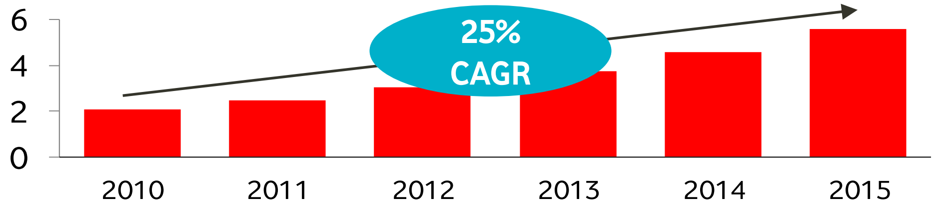
# Total communications: in enterprise the key trends are mobility, unified communications and cloud services

## Western Europe mobile workers[1]

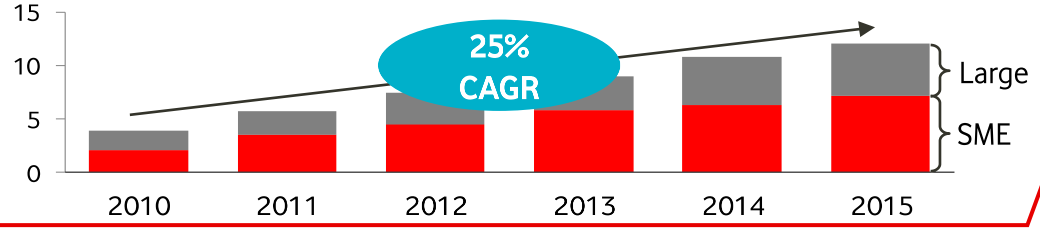
2008: 97m

2013: 130m

## Unified communications (US$bn)[2]




## Cloud services (US$bn)[1]




## Key trends

- 'Bring your own' devices proliferating
- Tablet use growing
- Top customer issues: network security, device management

- **50%** of large enterprises have implemented IP telephony
- **60-70%** are planning UC services (messaging, soft clients, etc.) in the next year

- **50%** of organisations will use cloud based applications
- SMEs will represent **60%** of the SaaS market
- Telco operators have opportunities to package network and cloud infrastructure for SMEs

1. IDC
2. Ovum

# Total communications: convergence in Enterprise presents opportunities for Vodafone and our partners

| | | |
|---|---|---|
| **ICT services** | Professional services and infrastructure-based (IBM, HP, Accenture, Verizon Business, BT, Getronics) | Selective opportunity for VGE MNCs |
| **Software** | Software vendors (Microsoft, SAP, Oracle, Google) and also re-sold by telco and IT players | Integrator of SaaS for Google and Microsoft |
| **Hosting** | Large IT players, incumbent telcos and IP players e.g. Amazon | |
| **Comm's Services** | Telcos, specialised players (e.g. Avaya, Cisco), as well as IP players (MS, IBM, Google) | Vodafone One Net convergence offer |
| **Fixed data Services** | Incumbent or telco challenger with fixed assets, provide ethernet or IPVPN connectivity | Joint portfolio of products with Verizon |

# Vodafone priorities for H2 11/12

## Europe

Maintain competitive edge and improve cost efficiency

## Emerging markets

Continue to focus on growth and profitability

Stimulate voice and data usage

## Verizon

Deepen collaboration on technology, purchasing and enterprise joint services

## Data

Enhance network quality and data economics

## New services

Deliver enhanced customer data experience, integrating own and 3rd party platforms

## Enterprise

Provide tailored services for all customers - SoHo to MNC

**Deliver profit and cash flow targets to support shareholder returns**

# Q&A

# Our strategy is delivering consistent results

**60% of revenue from fast growing data, fixed and emerging markets**

**Pushing integrated tariffs: ⅓ of European consumer contract revenue**

**Gaining market share in most European and emerging markets**

**Maintaining network leadership and controlling operating costs**

**Enhancing shareholder returns: 30% of market cap returned in cash over 4 years**

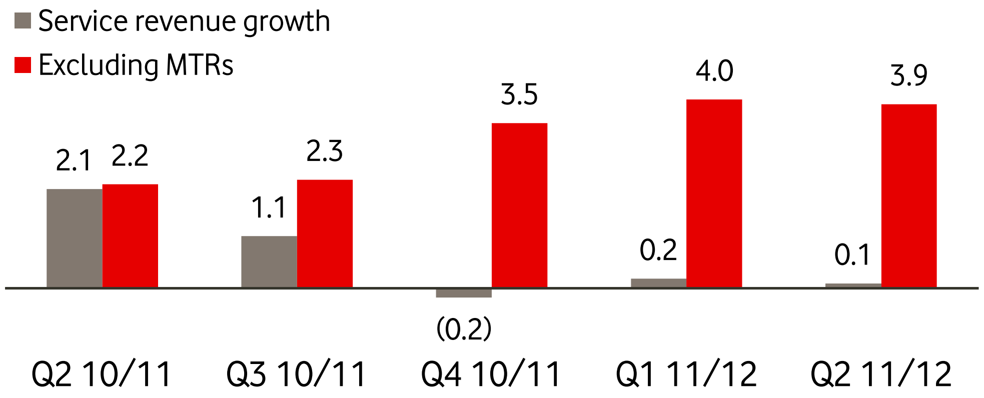
# Forward-looking statements

"This presentation 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. In particular, such forward-looking statements include: the financial guidance confirmation contained in slide 31 in relation to adjusted operating profit and free cash flow; the Group's dividend per share growth target discussed in slide 28 and the statements relating to the Group's future performance generally; statements relating to the development and launch of certain products, services and technologies, including the LTE network; expectations regarding growth in customers and usage and mobile data growth and technological advancements; statements relating to movements in foreign exchange rates; expectations regarding adjusted operating profit, free cash flows, costs, tax rates, tax settlements, mobile termination rates, ARPU and capital expenditures; expectations regarding cost reduction programmes and other cost efficiency programmes; expectations regarding the Group's share buyback programmes; and expectations regarding the integration or performance of current and future investments, associates, joint ventures and newly acquired businesses. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "will", "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, and changes to the associated legal, regulatory and tax environments; greater than anticipated competitive activity, from both existing competitors and new market entrants (including mobile virtual network operators), which could require changes to the Group's pricing models, lead to customer churn or make it more difficult to acquire new customers; levels of investment in network capacity and the Group's ability to deploy new technologies, products and services in a timely manner, particularly data content and services, or the rapid obsolescence of existing technology; higher than expected costs, mobile termination rates or capital expenditures; and rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectations, including as a result of third party or vendor marketing efforts 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 by referring to the information contained under the heading "Forward-looking statements" in the Group's half-year financial report for the six months ended 30 September 2011 and "Principal risk factors and uncertainties" in the Group's annual report for the year ended 31 March 2011, both of which can be found on the Group's website (www.vodafone.com). 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. No assurances can be given that the forward-looking statements in this presentation will be realised. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

# Appendix

# Germany: robust performance continues

## Organic service revenue growth (%)



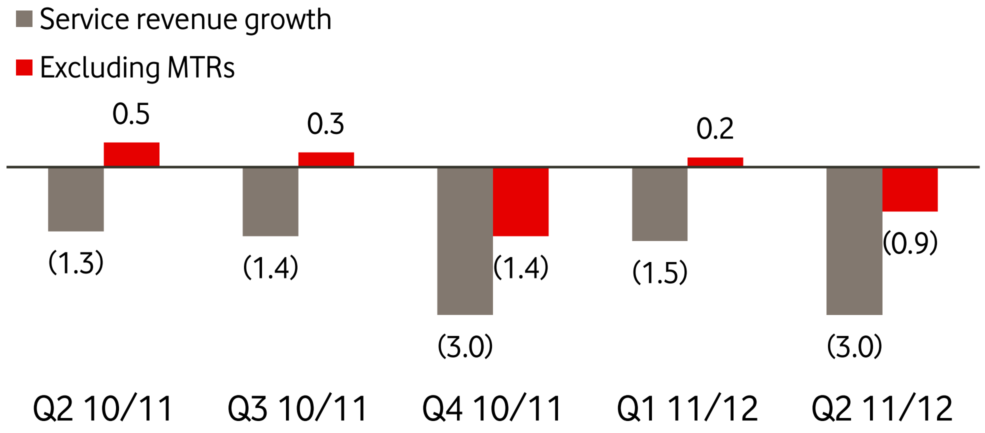

| | H1 10/11 £m | H1 11/12 £m | H1 11/12 YoY (%) |
|---|---|---|---|
| EBITDA | 1,471 | 1,552 | 1.1 |
| *EBITDA margin (%)* | *38.1* | *37.8* | *(0.3)ppt* |
| Operating free cash flow | 1,111 | 869 | |

- Solid economic environment:
  - Q2 service revenue +0.1%, +3.9% excl. MTRs
- Q2 data revenue +24%:
  - Mobile broadband +23%, mobile internet +36%
  - 18% smartphone penetration, 65% data attach
- Q2 enterprise +4.8%:
  - Strong fixed line growth +7.8%
  - Significant new customer wins
- H1 EBITDA margin -0.3ppt impacted by focused customer investment
- LTE : 52k connected customers, launched Dec 10
- IPTV: 34k active customers, launched Feb 11

 All growths shown are organic

# Italy: strength in data and fixed, market conditions difficult

## Organic service revenue growth (%)



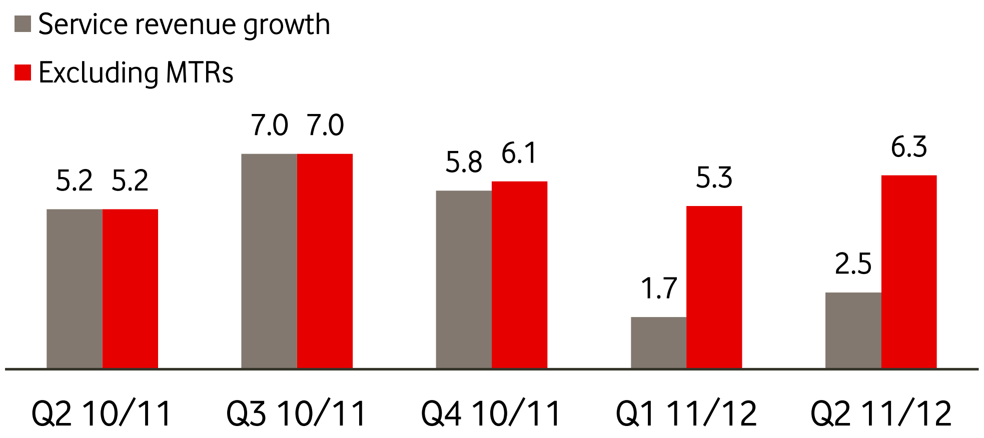

| | H1 10/11 £m | H1 11/12 £m | H1 11/12 YoY (%) |
|---|---|---|---|
| EBITDA | 1,356 | 1,362 | (3.7) |
| *EBITDA margin (%)* | *47.5* | *46.9* | *(0.6)ppt* |
| Operating free cash flow | 983 | 893 | |

Financials are based on the Group's equity interest. All growths shown are organic
1. MTR cut effective 1 July 2011
2. Represent 100% share

- Economy and consumer confidence weak, market remains highly competitive
- Q2 service revenue -3.0%, -0.9% excl. MTRs[1]:
- Q2 data revenue +19%:
  – Mobile internet +71%, supported by increased smartphone penetration at 22%, 44% data attach
- Q2 fixed revenues +13.2%, 1.7m[2] broadband customers
- Q2 Enterprise +5.9%, 22% of service revenues:
  – One Net strength continues
  – No. 1 market share in private sector
- H1 EBITDA margin -0.6ppt:
  – Growth in fixed line business
  – Cost efficiencies sustaining profitability despite lower revenues
- €1.26bn spectrum acquisition

# UK: strong commercial and financial performance

## Organic service revenue growth (%)



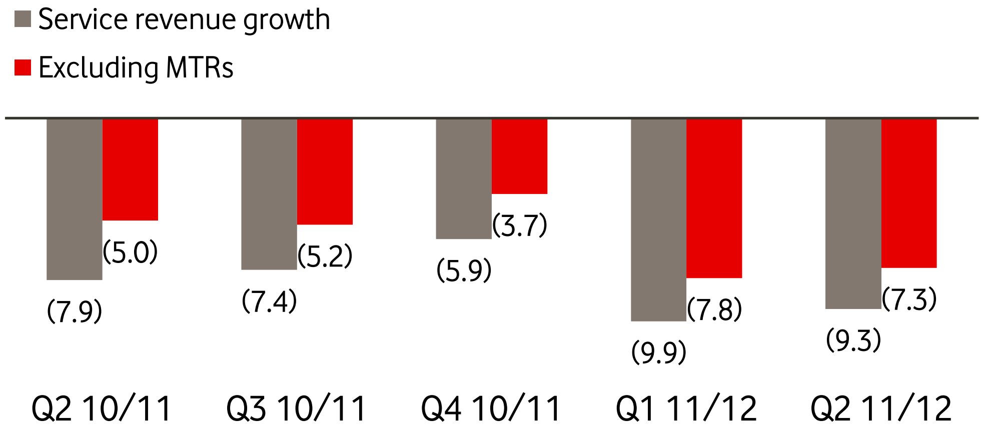

| | H1 10/11 £m | H1 11/12 £m | H1 11/12 YoY (%) |
|---|---|---|---|
| EBITDA | 599 | 633 | 5.7 |
| *EBITDA margin (%)* | *23.1* | *23.8* | *0.7ppt* |
| Operating free cash flow | 266 | 252 | |

- Q2 service revenue +2.5%, +6.3% excl. MTRs[1]:
  - Strong smartphone contribution
- Q2 data revenue +19%
- Mobile internet +25%
  - 37% smartphone penetration, 86% data attach
  - 66% of revenues[2] from integrated tariffs
- Prepaid refresh: prices increased, subsidies removed
- Strong enterprise growth drives ARPU
- H2 EBITDA margin +0.7ppt driven by revenue contribution and lower prepaid customer investment

All growths shown are organic
1. MTR cut effective 1 April 2011
2. Q2 consumer contract service revenues

# Spain: tough market, turnaround actions delivering early results

## Organic service revenue growth (%)




| | H1 10/11 £m | H1 11/12 £m | H1 11/12 YoY (%) |
|---|---|---|---|
| EBITDA | 868 | 681 | (24.9) |
| *EBITDA margin (%)* | *33.2* | *27.1* | *(6.1)ppt* |
| Operating free cash flow | 402 | 343 | |

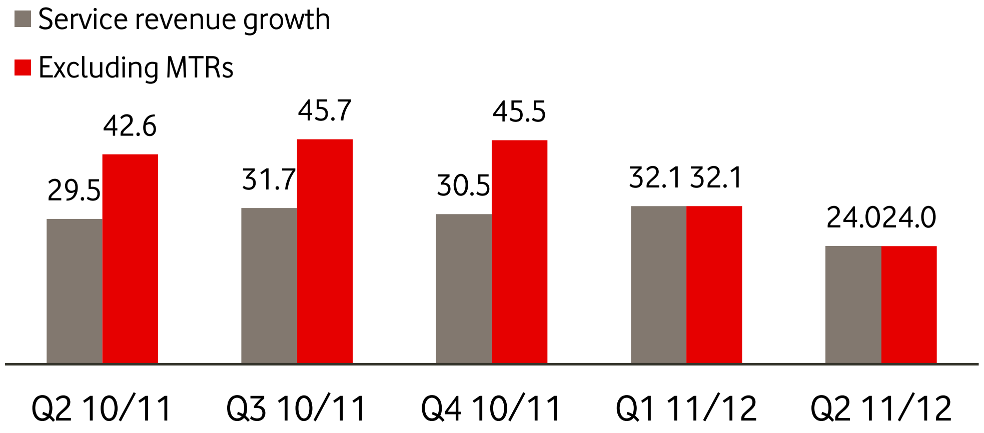
- Challenging economic and competitive conditions:
  - Q2 service revenue -9.3%
- Q2 data +15.1%:
  - Mobile internet +68%
  - 32% smartphone penetration, 44% data attach
- Encouraging early signs from new commercial policy:
  - Return to positive number portability: +29k
  - Contract net adds share improving: 22% vs. negative one year ago
- H1 EBITDA margin -6.1ppt:
  - Price reductions and increased smartphone investment
- €518m spectrum acquisition



All growths shown are organic

# Turkey: delivering profitable growth

## Organic service revenue growth (%)



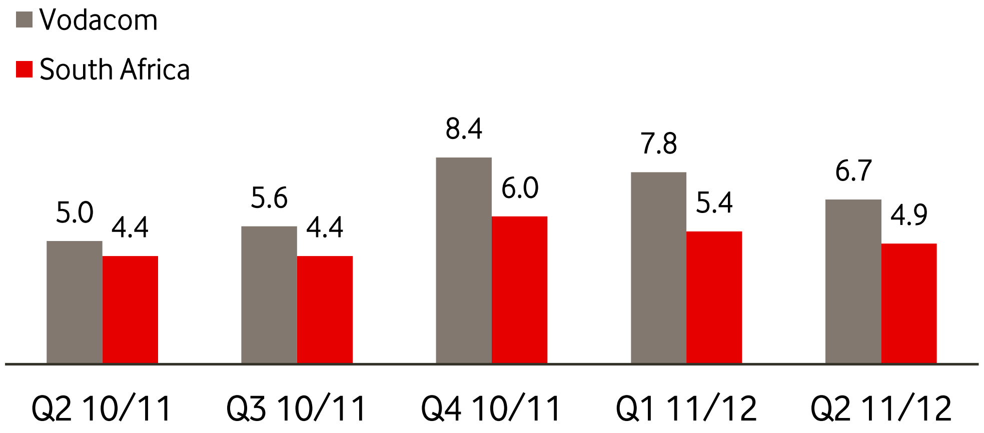

| | **H1 10/11 £m** | **H1 11/12 £m** | **H1 11/12 YoY (%)** |
|---|---|---|---|
| EBITDA | 93 | 132 | 64.9 |
| *EBITDA margin (%)* | *12.2* | *15.2* | *3.0ppt* |
| Operating free cash flow | 3 | (127) | |

- Q2 service revenue +24.0%
  - 0.3m contract net adds
  - Enterprise revenue +25%
- Q2 data revenue +85%; 5.6m active data users
  - 10% smartphone penetration, 28% data attach
  - Strong mobile internet +295%, mobile broadband +34%
- NPS leadership maintained
- H1 EBITDA margin +3.0ppt year on year, driven by revenue growth and cost containment
- Continued investment in network and brand:
  - H1 +0.7k 3G sites, +0.5k 2G sites

All growths shown are organic

# Vodacom Group: momentum continues, driven by data

## Organic service revenue growth (%)




| **Vodacom Group** | **H1 10/11 £m** | **H1 11/12 £m** | **H1 11/12 YoY (%)** |
|---|---|---|---|
| EBITDA | 866 | 934 | 8.1 |
| *EBITDA margin (%)* | *33.2* | *33.2* | *(0.1)ppt* |
| Operating free cash flow | 565 | 590 | |

### South Africa

- Q2 solid service revenue growth +4.9% (+7.7% excl. MTRs)
- Q2 data revenue +30%, despite strong pricing pressure:
  - 10m active data users (+32%)
  - 17% smartphone penetration, 39% data attach
- H1 EBITDA margin 35.9%, stable year on year
- Capex investment focussed on data network

### International

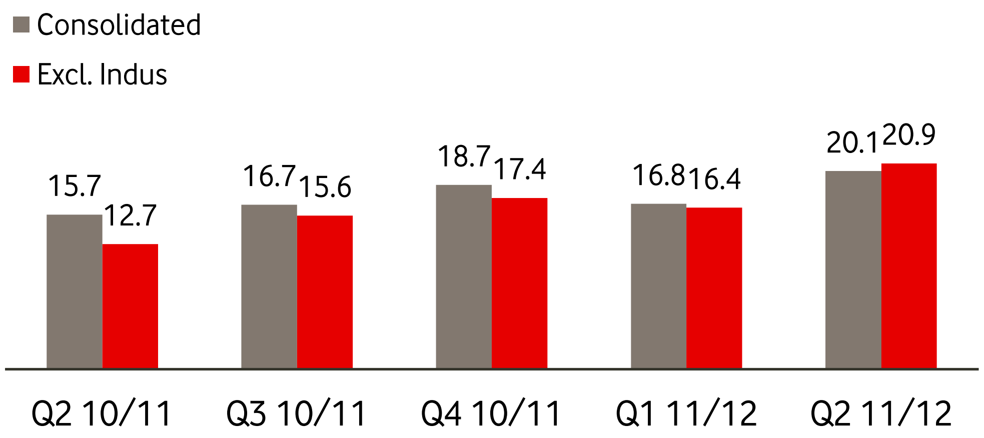
- Customer growth drives strong Q2 service revenue +16.4%
- Excellent momentum in Tanzania with M-Pesa



All growths shown are organic

# India[1]: good performance in an attractive market

## Organic service revenue growth (%)




| | **H1 10/11 £m** | **H1 11/12 £m** | **H1 11/12 YoY (%)** |
|---|---|---|---|
| EBITDA | 488 | 535 | 14.8 |
| *EBITDA margin (%)* | *26.0* | *25.3* | *(0.7)ppt* |
| Operating free cash flow | 340 | 332 | |

- Q2 service revenue +20.1%:
  - Headline voice prices +20% with 15% of base on new tariffs
  - Stable market prices QoQ
  - New SMS termination charging contributed 2.2ppt
- Q2 data revenue +62%, driven mainly by 2G:
  - Mobile internet + 71%
  - 28m data users: +142%
- Growing revenue share in 7 circles launched in 08/09
- H1 EBITDA margin -0.7ppt impacted by customer acquisition costs and SMS termination
- 3G launched in over 530 cities and towns

All growths shown are organic

1. Results for Indian operating business include results for Indus Towers

# Other key markets: mixed performance

% Q2 organic service revenue growth

## 4.2% Netherlands

- Growth in underlying service revenue; smaller MTR impacts year on year
- Data revenue **+46%** driven by integrated tariffs; 39% smartphone penetration; 78% data attach rate
- Acquisition of BelCompany has added over 100 stores

## 1.2% Egypt

- Return to service revenue growth
- H1 EBITDA margin -3.2ppt to 43.5%, impacted by lower prices and socio political unrest
- Market share leadership over Mobinil increased

## (4.6%) Portugal

- Economic challenges remain
- Data revenue **+10%;** smartphone penetration increased to 21%
- Strong performance in prepay, 131k net adds
- Fixed line +9.6%, helped by the introduction of fibre

## (8.4%) Greece

- Economy worsening; high unemployment
- Pushing data; **13.8%** smartphone penetration
- Promoting integrated tariffs and longer term contracts

## (3.6%) Ireland

- Fragile economy, strong competition
- Service revenue growth hit by MTR cut in July, additional 1.2% impact this quarter
- Data revenue +18.7%; **44%** increase in mobile internet, 29% smartphone penetration

## (2.8%) Romania

- Low growth economy and high inflation
- Decline in service revenue slowing with improvements in consumer segment

# MTR impact

| | FY 10/11 | | H1 11/12 | | FY 11/12e |
|---|---|---|---|---|---|
| | £bn | % | £bn | % | % |
| **Europe** | | | | | |
| Service revenue | (0.7) | (2.4) | (0.4) | (2.9) | (2.6) |
| EBITDA | (0.3) | | (0.2) | | |
| **AMAP** | | | | | |
| Service revenue | (0.2) | (1.9) | (0.1) | (1.1) | (1.4) |
| EBITDA | (0.1) | | (0.0) | | |
| **Group** | | | | | |
| Service revenue | (0.9) | (2.2) | (0.5) | (2.4) | (2.2) |
| EBITDA | (0.4) | | (0.2) | | |

# Effective tax rate

| | H1 11/12 £m | H1 10/11 £m |
|---|---|---|
| **Income tax expense** | **1,367** | **736** |
| Tax on adjustments to derive adjusted profit before tax | (170) | (235) |
| Settlement of tax cases | - | 550 |
| **Adjusted income tax expense** | **1,197** | **1,051** |
| Share of associates' tax | 145 | 322 |
| **Adjusted income tax expense for the purpose of calculating ETR** | **1,342** | **1,373** |
| | | |
| Profit before tax | 8,011 | 8,240 |
| Adjustments to derive adjusted profit before tax | (2,869) | (2,611) |
| **Adjusted profit before tax** | **5,142** | **5,629** |
| Add: Share of associates' tax and non-controlling interest | 185 | 366 |
| **Adjusted profit before tax for the purpose of calculating ETR** | **5,327** | **5,995** |
| | | |
| **Adjusted effective tax rate (ETR)** | **25.2%** | **22.9%** |

# Total communications: Vodafone One Net case study: Italy

In Italy the Vodafone One Net penetration in the SME segment is approximately 40%

| | |
|---|---|
| Mobile ARPU | **Up 7%** |
| Usage on mobile extensions | **Up 2%** |
| Incremental fixed line rental | **€12.2** ARPU + €145 link connectivity fee per site |
| Customer churn improvement | **4** percentage points lower than core mobile voice (April 2011) |
| Number of mobile SIMs per customer | **36%** uplift in SIM extensions |
| Total revenue per customer | **89%** uplift in customer revenue (mobile + fixed) |

# Definition of terms

**ARPU**: Service revenue excluding fixed line and fixed advertising revenue, revenue related to business managed services and revenue from certain tower sharing arrangements divided by average customers

**Churn**: Total gross customer disconnections in the period divided by the average total customers in the period

**Cloud services:** The provision of IT services over the internet rather than through direct connections to a server

**CRM:** Customer Relationship Management refers to the processes used by companies to interact with their customers

**Data attach rates**: The number of complementary data plans sold as a percentage of data capable handsets

**EBITDA**: Operating profit excluding share in results of associates, depreciation and amortisation, gains/losses on the disposal of fixed assets, impairment losses and other operating income and expense

**Emerging Markets**: India, Vodacom, Egypt, Turkey, Ghana, Qatar and Fiji

**FCF**: Operating free cash flow after cash flows in relation to taxation, interest, dividends received from associates and investments, and dividends paid to non-controlling shareholders in subsidiaries

**ICT services:** Information, communication and technology services

**IP:** Internet protocol is the method by which data is sent from one computer to another on the internet

**HSDPA+/HSUPA:** High Speed Downlink/Uplink Packet Access is a wireless technology enabling higher download speeds

**LTE:** Long-term evolution is a 4G technology

**Mark to market**: Mark-to-market or fair value accounting refers to accounting for the value of an asset or liability based on the current market price of the asset or liability

**Mobile data**: Mobile broadband connectivity and mobile internet access

**Mobile broadband**: Wireless high-speed internet access through a portable modem, telephone or other device

**Mobile Internet**: Browser-based access to the Internet or web applications using a mobile device, such as a smartphone connected to a wireless network

**MTR**: Mobile Termination Rate is the per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile network operator

**Net adds**: The number of new customers acquired less the number of customer leaving during the period

**Net debt**: Long-term borrowings, short-term borrowings and mark-to-market adjustments on financing instruments less cash and cash equivalents

**NPS:** Net promoter score is a customer loyalty metric used to monitor customer satisfaction

**Operating free cash flow**: Cash generated from operations after cash payments for capital expenditure (excludes capital licence and spectrum payments) and cash receipts from the disposal of intangible assets and property, plant and equipment

**Organic growth**: presents performance on a comparable basis, both in terms of merger and acquisition activity and foreign exchange rates

**POPs:** Population

**RAN**: Radio Access Network is part of a mobile telecommunication system that sits between the mobile device and the core network

**SaaS**: Software as a Service

**Single RAN**: Single Radio Access network is a common product platform to support multiple radio technologies

**Smartphone**: A smartphone is a phone offering advanced capabilities including access to email and the internet

**UMTS:** Universal Mobile Telecommunications Systems is a 3G technology for networks based on the GSM standard