# Vodafone Group Plc Results

For the half year ended 30 September 2017

14 November 2017

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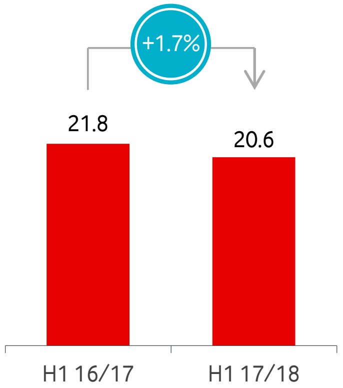
# Overview of the half year

**Vittorio Colao**
Group Chief Executive

# Half year highlights

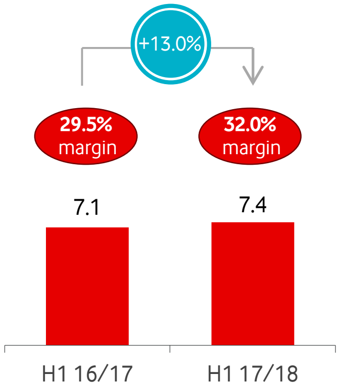
Organic growth

## Service revenue (€bn)



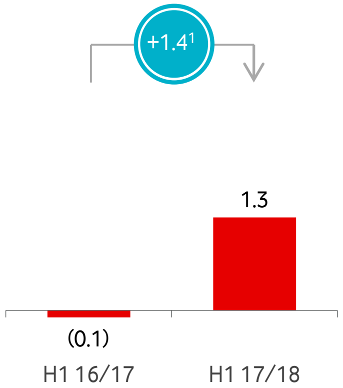

Ex. regulation **+2.6%**[2]

## Adjusted EBITDA (€bn)



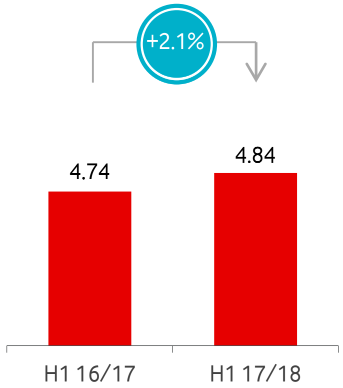

Underlying **+9.3%**[3]; operating leverage and cost actions

## Free Cash Flow (pre-spectrum) (€bn)




Higher EBITDA and lower working capital outflow

## Dividend (€c per share)




Increasing dividends

## Raising full year guidance

All percentage growth rates in this document are organic unless otherwise stated, with Vodafone Netherlands and Vodafone India excluded from organic growth

1. Absolute, not organic change in FCF pre-spectrum
2. Excludes the impact of EU regulation (the net impact of out-of-bundle roaming & international visitors, and mobile termination rate changes)
3. Excludes the net impact of EU regulation (-€0.1 billion) and the UK benefit from handset financing (€0.2 billion) and regulatory settlements (€0.1 billion)

# Strategy delivering growth

## Our differentiators…

| Customer experience excellence | Leading mobile network | Capital-smart fixed infrastructure strategy |
|---|---|---|
| **19/21** | **14/21** | **99m** |
| markets as consumer NPS co/leader | markets co/best for data (18/21 for voice) | EU homes passed with NGN<br>New partnerships in Germany, UK and Portugal |

## … are fuelling our growth engines

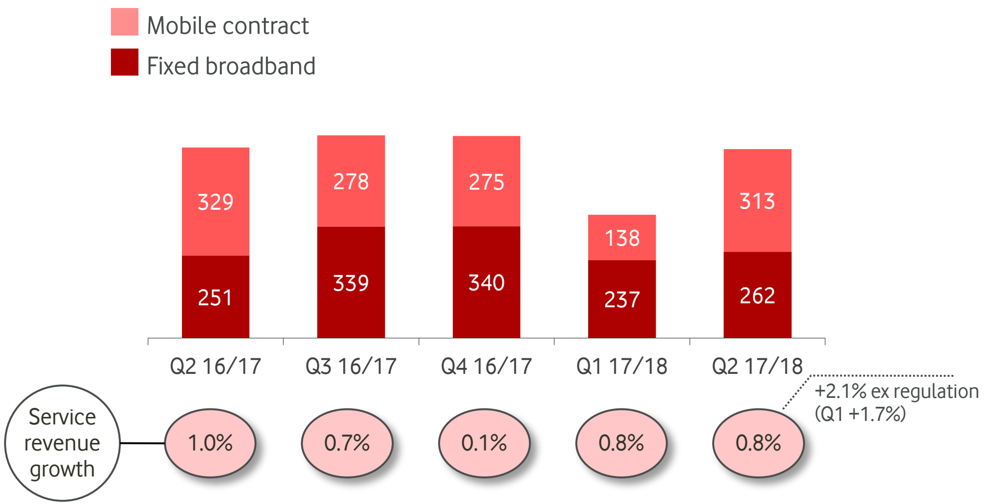
| Monetising data growth | Fixed/convergence momentum | Enterprise outperformance |
|---|---|---|
| **3.3%** | **328k** | **2.5% ex. regulation** |
| Europe consumer ARPU ex. regulation | Broadband net adds | Service revenue growth driven by IoT, Fixed and AMAP |

All figures are Q2 17/18

# Sustained commercial momentum

## Europe

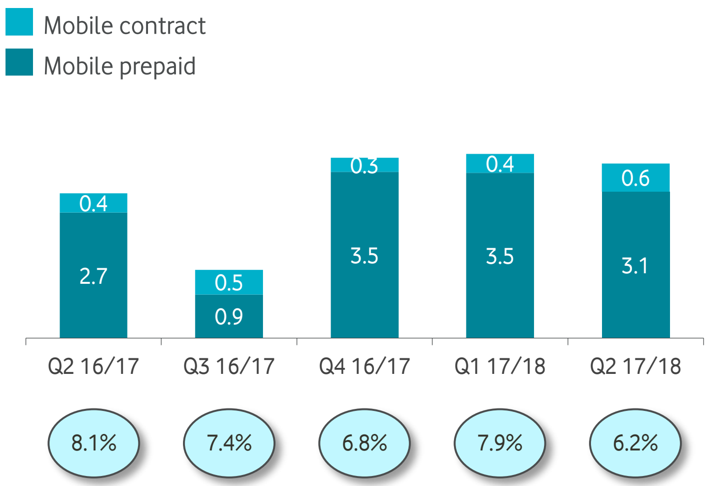
### Customer net adds (000s)




**13.9m** broadband users, o/w **61%** NGN (+8pp YoY)[1]

## AMAP

### Customer net adds (m)




**74m** active data users, 46% of customers (+2pp YoY)

1. Excludes VodafoneZiggo

# Key markets: Europe

| | Germany | Italy | UK | Spain |
|---|---|---|---|---|
| Consumer NPS rank | #1 | #1 | #2 (network NPS) | #1 |
| Competitive Environment | Stable | Intense | Stable | Low-end intense |
| Q2 service revenue growth (%) | +1.6 Strong customer growth | +1.5 Lapping prior year price increases | +0.6[1] Back to underlying growth | +3.9 M4M actions, handset financing drag unwind |
| H1 EBITDA growth (%) | +7.7 | +8.8 | -1.9[2] | +9.6 |

See Appendix pages 44-47 for more details on each country

1. Excludes the impact of regulation and handset financing. Reported organic service revenue growth -3.0%
2. Excludes the impact of handset financing, regulatory settlements and the reallocation of central costs. Reported organic EBITDA growth +46.6%

# Key markets: AMAP

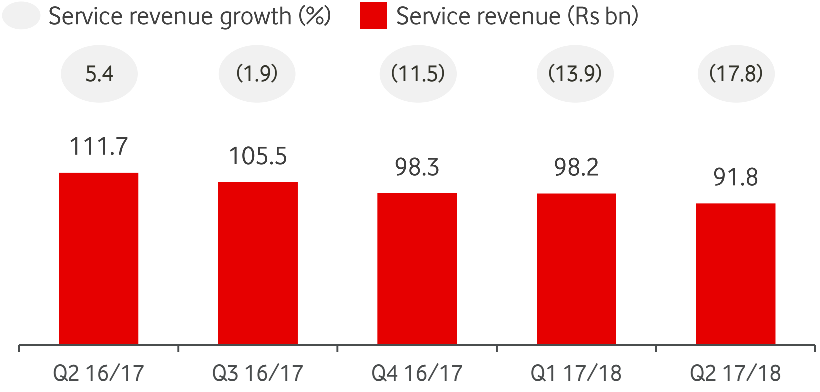
| | South Africa | Vodacom International | Turkey | Egypt |
|---|---|---|---|---|
| Consumer NPS rank | #1 | #1 (#1 in 3 markets) | #2 | #1 |
| Environment | Stable | Macro pressures in DRC | Stable | Moving to 4G |
| Q2 service revenue growth (%) | +3.9 Tougher comparator, larger data bundles | +4.1 Tanzania improving | +14.7 Customer growth | +21.0 Customer growth |
| H1 EBITDA growth (%) | +2.9 | +8.2 | +20.4 | +23.0 |



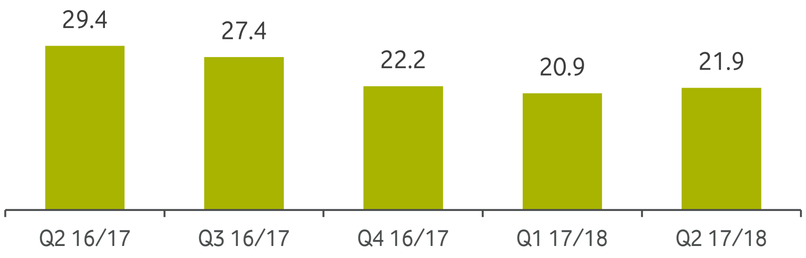
See Appendix for more details on Vodacom (page 48)

# India: competition intense, positive developments

## Service revenue remains under pressure (INR bn)




## EBITDA margin stabilising (%)




### Performance

- Service revenue impacted by pricing competition, seasonality and sales tax
- Retaining mid/high end users in leadership circles (92% of capex)
- Opex savings limiting margin decline

### Market

- Consolidation: smaller players exiting
- Further signs of price recovery in October

### Idea merger

- Creating a market leader in 21/22 circles
- Leading spectrum position
- Approval from SEBI, CCI, awaiting DoT and NCLT[1]



1. SEBI (Securities and Exchange Board of India); CCI (Competition Commission of India); DoT (Department of Telecommunications), NCLT (National Company Law Tribunal)

# Financial review

**Nick Read**
Group Chief Financial Officer

# Operational leverage driving EBIT inflection

## Financial highlights (H1 17/18)

Service revenue
**€20.6bn**
+1.7%

YoY change

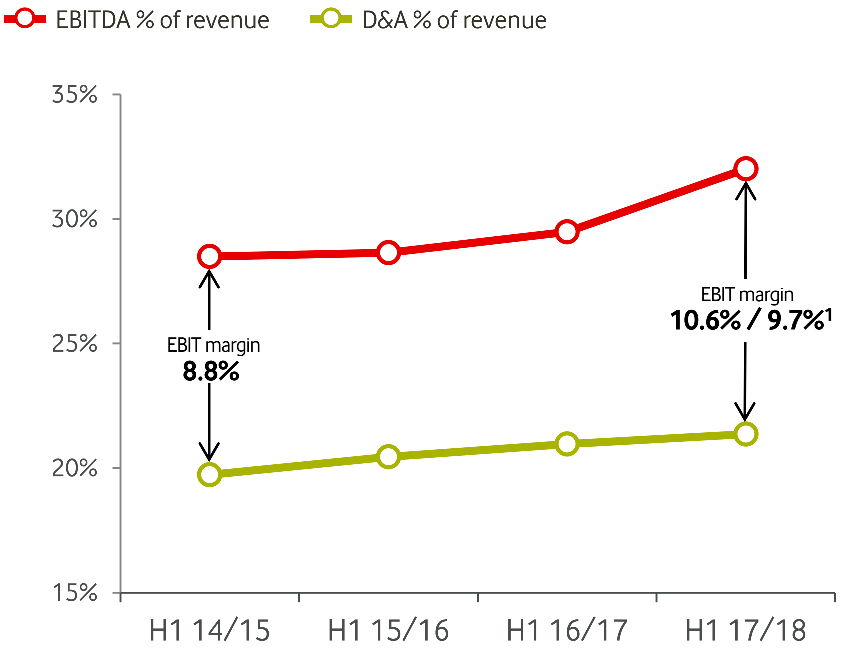
Adjusted EBITDA
**€7.4bn**
+13.0% | +9.3%[1]

U/lying

Adjusted EBIT
**€2.5bn**
+51.9% | 36.0%[1]

U/lying

## EBIT margin inflection




All growth rates are organic and exclude India, Netherlands and related shareholder recharges

1. Underlying performance excluding the impact of EU roaming regulation, UK handset financing, and UK regulatory settlements

# Bridge from adjusted to reported earnings

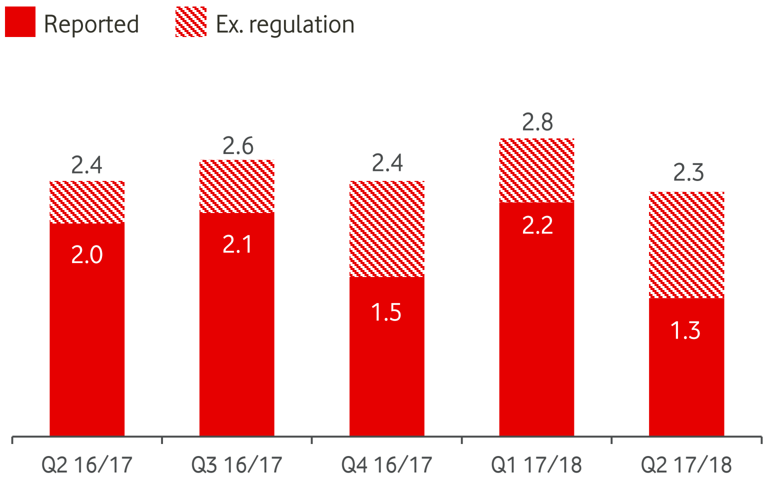
| | H1 17/18 (€m) | H1 16/17 (€m) | Growth (%) |
|---|---|---|---|
| **Adjusted EBIT** | **2,457** | **2,050** | **19.9** |
| Associates | 171 | 73 | |
| Restructuring | (33) | (37) | |
| Amortisation of brand assets / other | (543) | (515) | |
| Other income and expense | (44) | (56) | |
| **Operating profit** | **2,008** | **1,515** | |
| Financing costs/income | 152 | (123) | |
| Tax expense | (579) | (1,114) | |
| Non-operating income and expense | (1) | - | |
| India (excl. Indus) | *(345)* | *(5,281)* | |
| **Profit/(loss) for the period** | **1,235** | **(5,003)** | **n/a** |
| | | | |
| **Adjusted earnings**[1] | **1,773** | **1,138** | **55.8** |
| Weighted average number of shares[2] (m) | **28,067** | **27,912** | |
| **Adjusted earnings per share**[1] | **6.32** | **4.08** | **54.9** |

- Underlying **effective tax rate 22.2%**, medium-term rate is 'mid-20s'
- **€5.0bn Indian net impairment** in H1 16/17
- 26,775m excl. dilution from MCB
  262.4m shares purchased via buyback in H1

1. Reported excluding the impact of restructuring costs, significant one-off items and amortisation of acquired intangible customer bases and brand intangible assets
2. Weighted average number of shares includes a dilution of 1,292 million shares (2016: 1,325 million shares) following the issue of £2.9 billion of mandatory convertible bonds ('MCB') in February 2016

# Sustained service revenue growth, lower roaming headwind

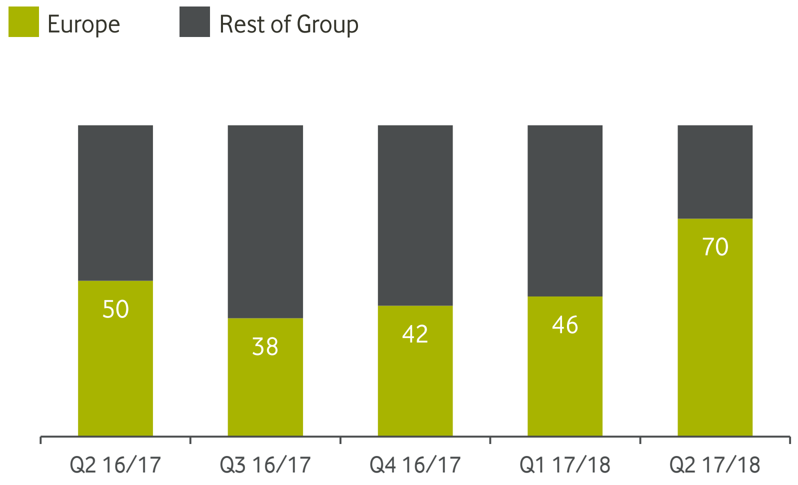
## Group organic service revenue growth (%)




**Drivers of QoQ performance:**

- EU 'Roam-like-at-home' (-0.7pp)/Visitors (+0.4pp)
- UK handset financing (-0.2pp)
- Carrier services drag (-0.4pp)

## European contribution[1] to service revenue growth (%)



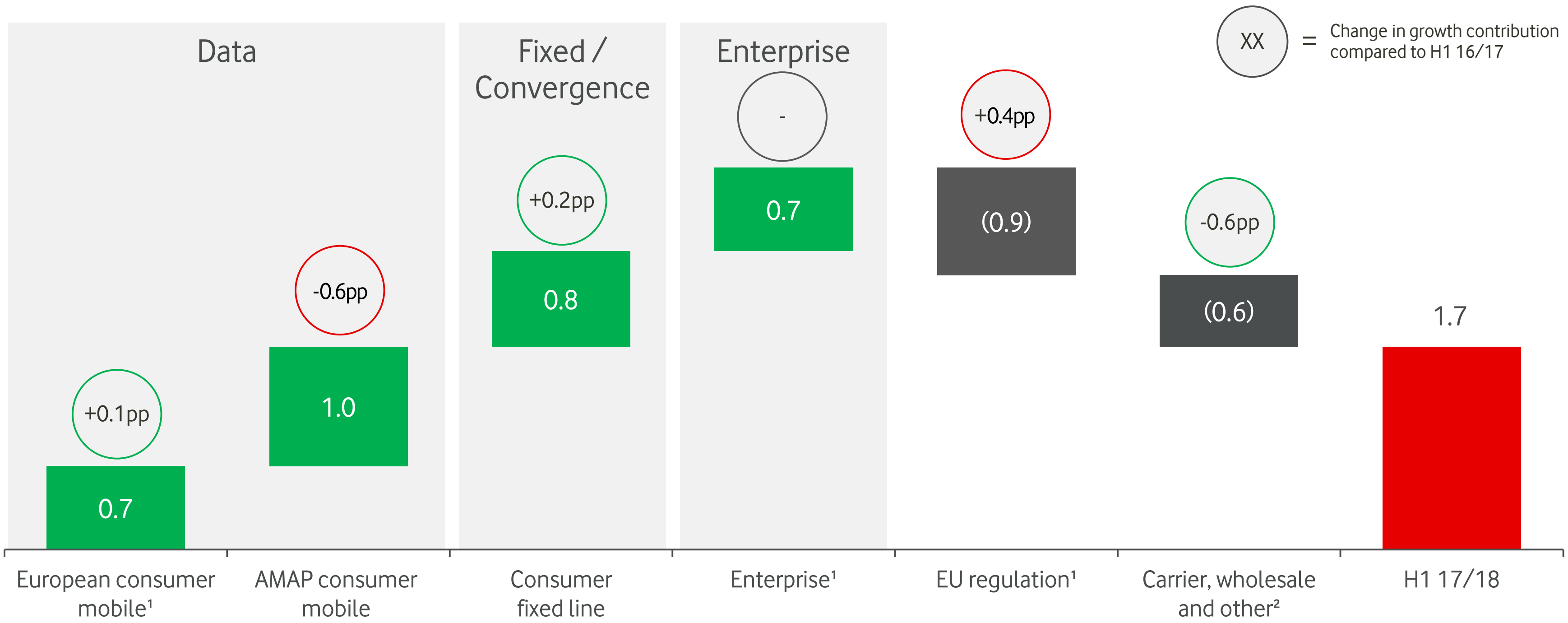

**EU roaming/visitor impact on FY 17/18 EBITDA:**

| Previous guidance | New guidance |
|---|---|
| -€0.3bn | -€0.2bn |

1. Based on underlying service revenue contributions ex. regulation

# All three growth engines contributing

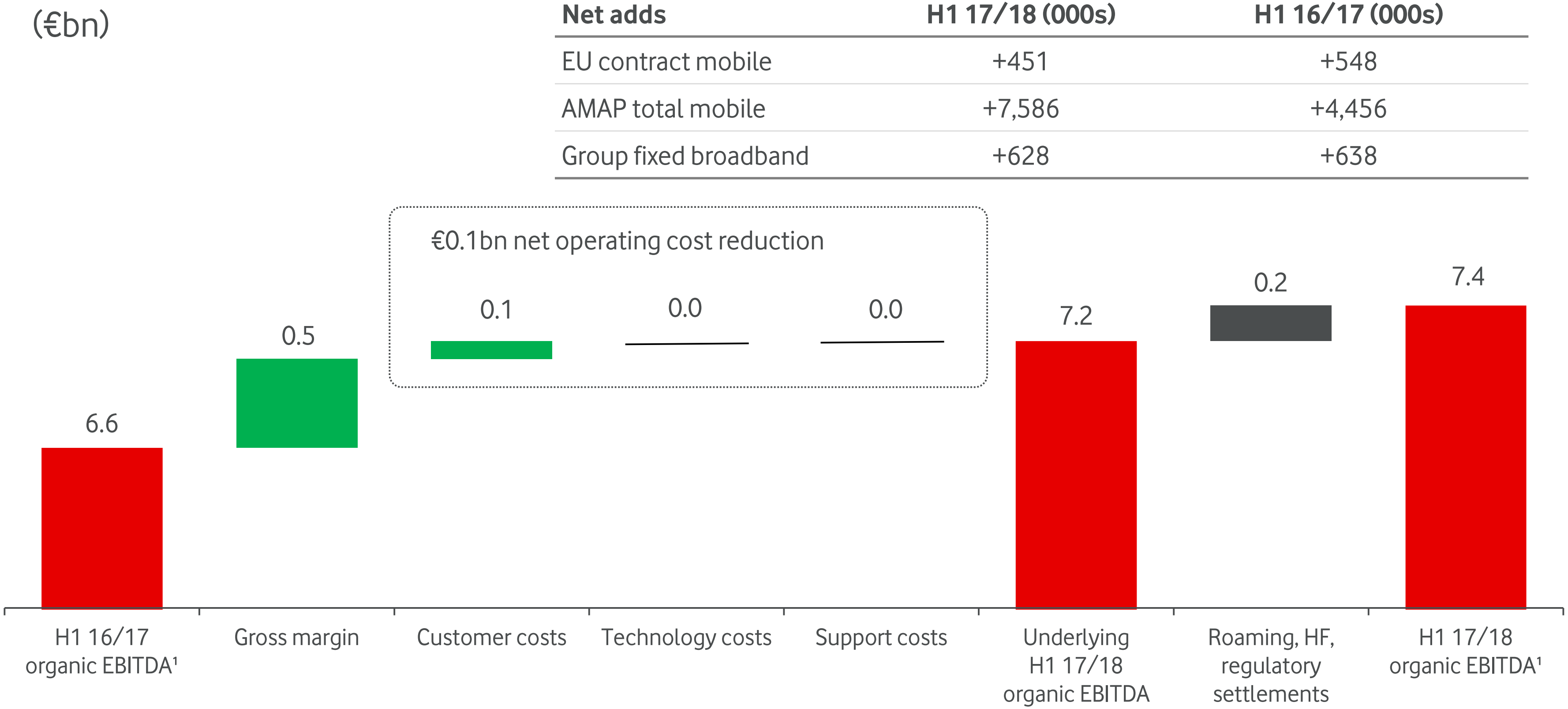
## H1 17/18 organic service revenue growth contribution




1. Excludes the impact of EU regulation
2. Other includes mobile and fixed wholesale, common functions and eliminations

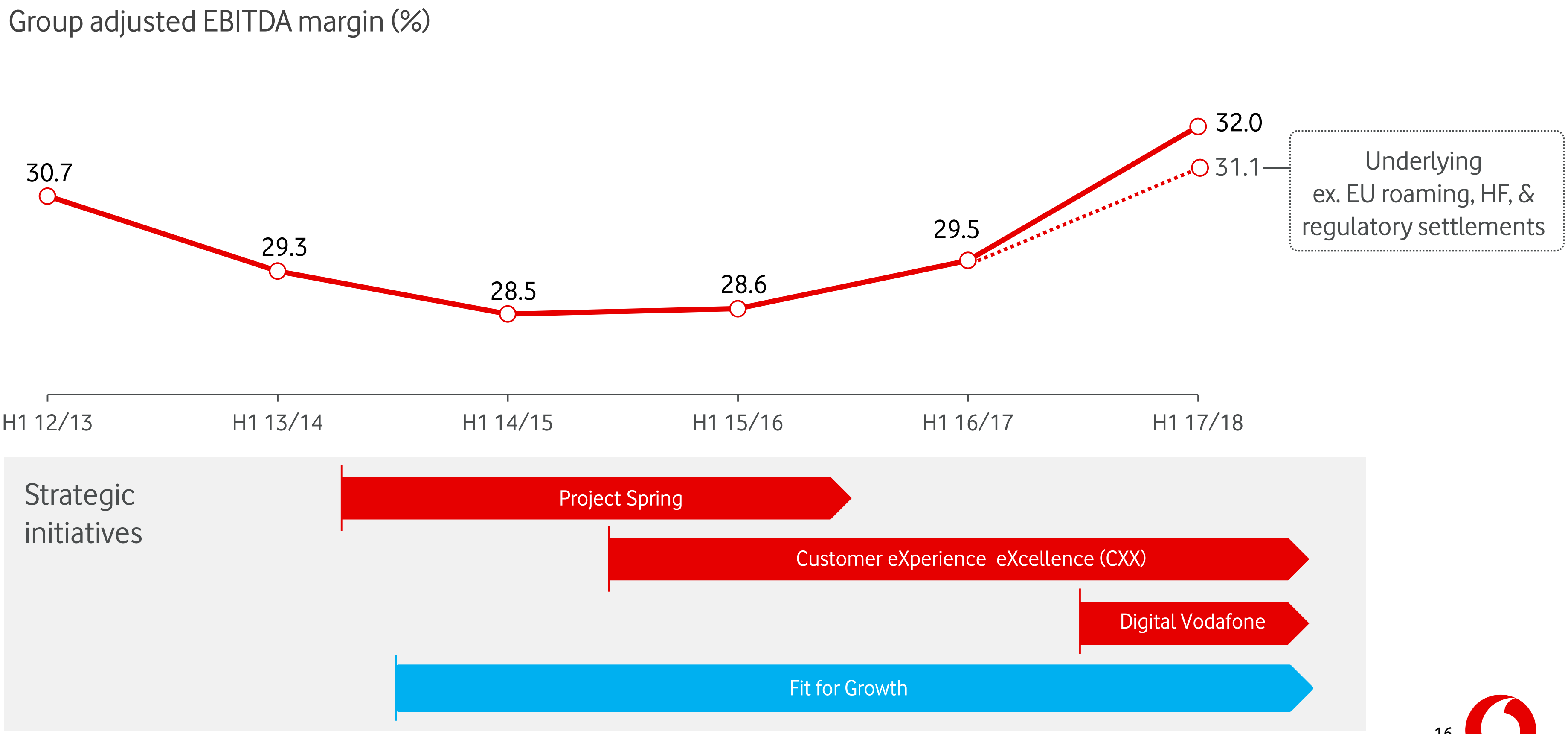
# Operating costs lower despite commercial momentum

| Net adds | H1 17/18 (000s) | H1 16/17 (000s) |
| --- | --- | --- |
| EU contract mobile | +451 | +548 |
| AMAP total mobile | +7,586 | +4,456 |
| Group fixed broadband | +628 | +638 |



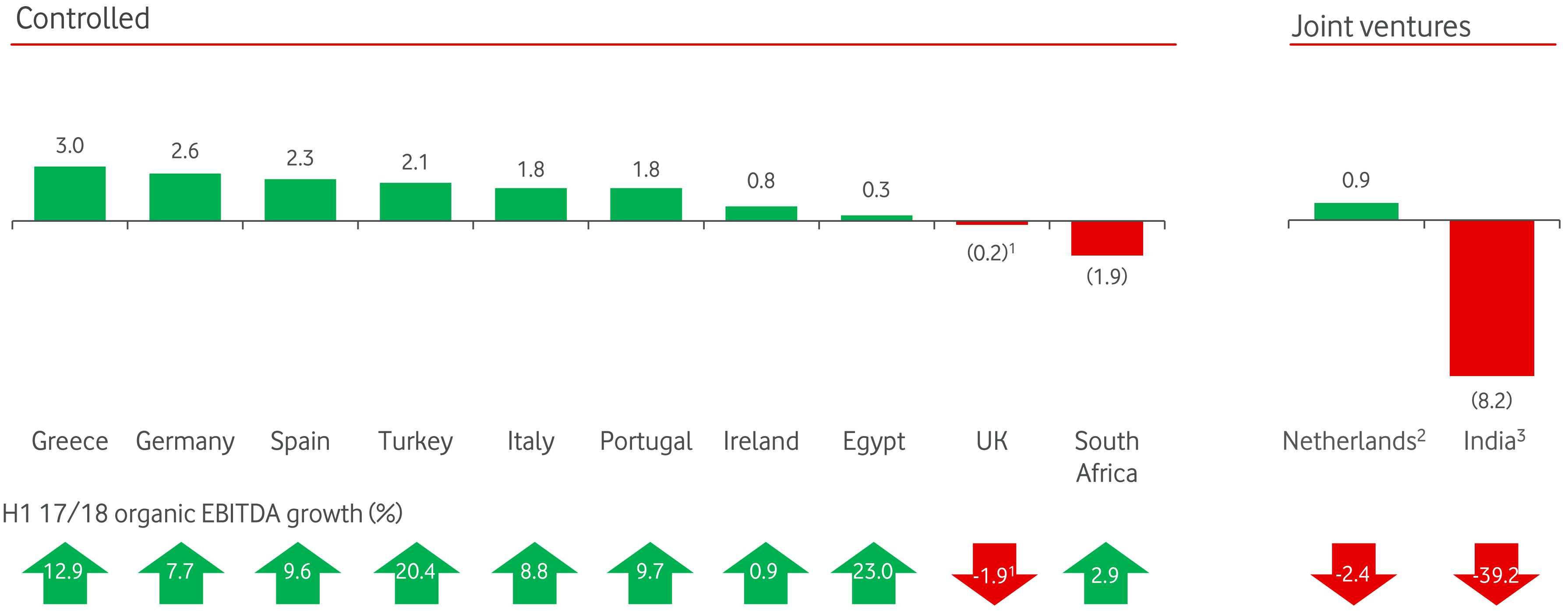

1. Organic EBITDA includes recharges of €0.2bn in both periods

# EBITDA margin expansion for three consecutive years



# Broad based improvement in EBITDA margin

Adjusted organic YoY EBITDA margin movement (pp)




1. Underlying adjusted EBITDA growth; excludes UK handset financing, regulatory settlements, and central cost reallocations
2. Based on US GAAP reporting
3. Merger with Idea Cellular in India has not yet closed

# Fit for Growth programme

## Group savings achieved over 3 years

### Procurement

Centralised spend

**77%**
(+17pp)

### Shared Services

**21.8k FTE**
(+6.1k)
**€500m**

### Network & IT

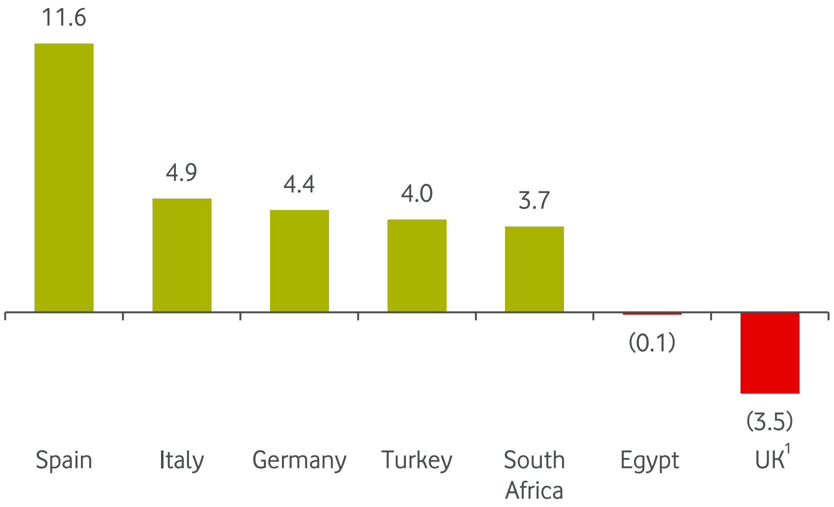
Network design standardisation
**€340m**

### ZBB

Group support functions
**€200m**

€ COSTS

## EBITDA margin improvement over 3 years (pp)



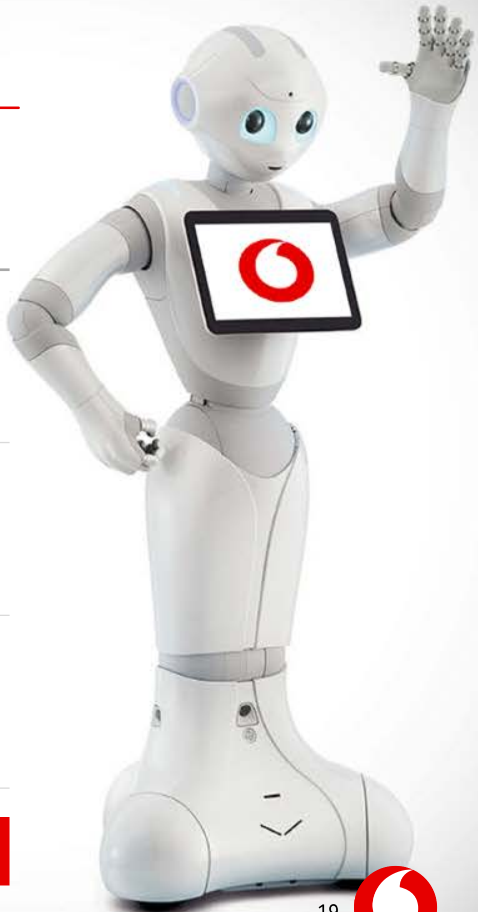

1. Based on an underlying EBITDA margin in H1 17/18 of 17.7% which excludes the impact of UK handset financing, regulatory settlements, and central cost reallocations

# Digital opportunity to sustain cost momentum

## Scope and digital actions

| Addressable cost base: | | Opportunities: |
|---|---|---|
| Digital customer management | €2.5bn<br>€1.0bn<br>€1.5bn | • Increase direct distribution mix, lowering commissions<br>• Optimise retail footprint<br>• AI-enabled digital customer support |
| Digital technology management | Efficiency gains | • Real-time analytics to enable smarter network planning<br>• Migrate 65% of IT applications to the cloud |
| Digital operations | €3.0bn | • Simplify and automate standard processes |

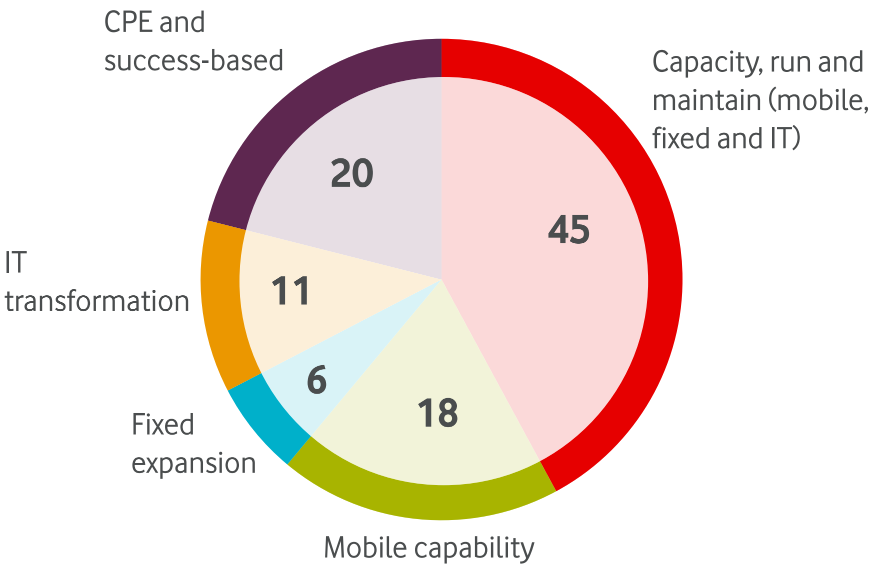
**Total addressable cost base €8.0bn + capex optimisation**



# Capex mix

## H1 17/18 capital allocation[1]

(%)




H1 Group capital intensity: **14.1%** (-0.6pp YoY) or **12.5%** ex. CPE
Medium-term outlook **'mid-teens' excl. Gigabit Plan**

## Key investment areas

**Capacity, run and maintain:**

- +4pp, supporting significant growth in data

**Mobile capability:**

- -6pp, lower 4G rollout, EU coverage now 93% (PY: 90%)
- Evolve and upgrade our network as we prepare for 5G

**Fixed:**

- -5pp, driven by lower FTTH self-build

**IT:**

- -2pp, with ongoing IT transformation projects to improve customer experience and rationalise estate

**CPE/success-based:**

- +9pp, reflecting strong commercial momentum in fixed

1. Based on top five major markets (excluding India)

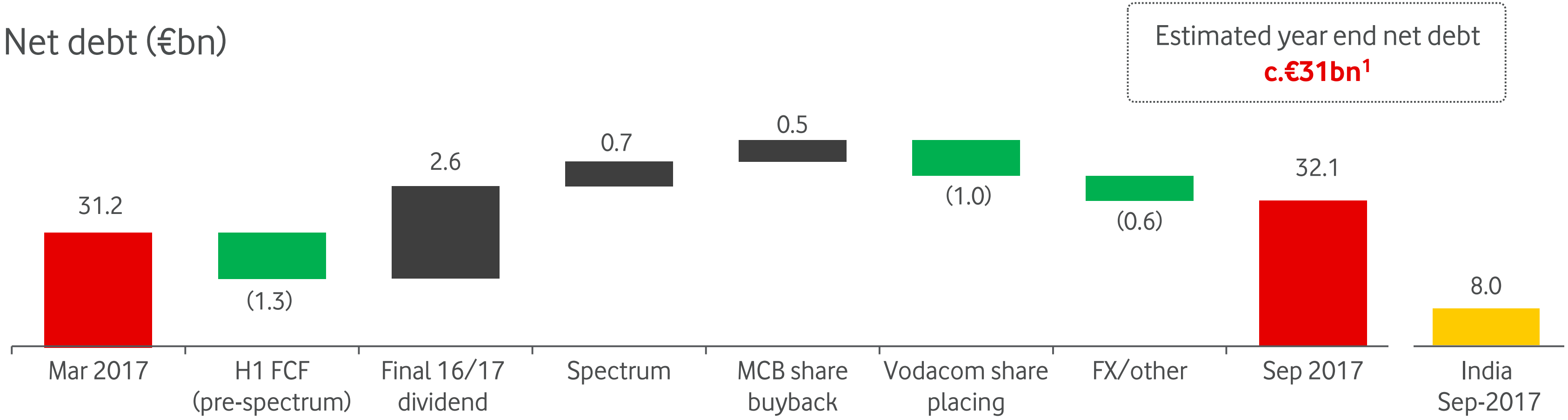
# Free cash flow growth drivers

| | H1 17/18 (€m) | H1 16/17 (€m) |
|---|---|---|
| Adjusted EBITDA | 7,385 | 7,090 |
| Capital additions | (3,263) | (3,526) |
| Capital creditors | (576) | (1,391) |
| Working capital | (1,718) | (1,534) |
| Net interest | (343) | (231) |
| Taxation | (400) | (468) |
| Dividends received | 284 | 129 |
| Dividends to non-controlling interests | (154) | (274) |
| Other[1] | 74 | 57 |
| **Free cash flow (pre-spectrum)** | **1,289** | **(148)** |
| Spectrum | (747) | (138) |
| Restructuring | (127) | (142) |
| **Free cash flow** | **415** | **(428)** |

- **Lower capital creditors:** reflecting final payment from Project Spring in H1 16/17
- **Higher H1 net dividends:**
  - Received: VodafoneZiggo (€145m; PY zero)
  - Paid: Egypt (€1m; PY €153m)
- **Spectrum:** Italy (€0.6bn), Germany (€0.1bn)

1. Relates to non-cash movements on share based payments and disposal of capital assets

# Reported leverage and balance sheet position




- **Share buyback:** preventing share dilution from maturing MCB
  - Total full year amount ~€1.7bn, 729.1m shares
- **Vodacom share placing:** 90m (5.2%) shares, €955m raised
  - Vodafone effective ownership now 64.5%

| | H1 17/18 | FY 16/17 |
|---|---|---|
| Net cost of debt (%) | 2.5 | 2.6 |
| Average life of bond debt | 9.3yrs | 9.6yrs |
| Net debt/EBITDA excl. India | 2.2x | 2.2x |

1. Includes: H1 17/18 dividend (€1.3bn), remaining MCB share buyback amount (€1.2bn), and implied H2 guidance free cash flow (pre-spectrum) (>€3.7bn)

# Active capital allocation

## Europe

€2bn
>20% IRR
Gigabit investment plan

5m HH[1]
Exclusivity period
FTTH wholesale agreement
CityFibre

+1.3m HH
Limited investment
FTTH reciprocal fibre share
NOS

## Africa

Safaricom
Streamlined Safaricom holding

€1bn
Vodacom stake sale (5.2%)

Tanzania IPO

## Other AMAP

Exploring potential IPO

## India

>US$10bn
Synergies
Idea
Merger: On-track

US$1.2bn[2]
Standalone towers sold

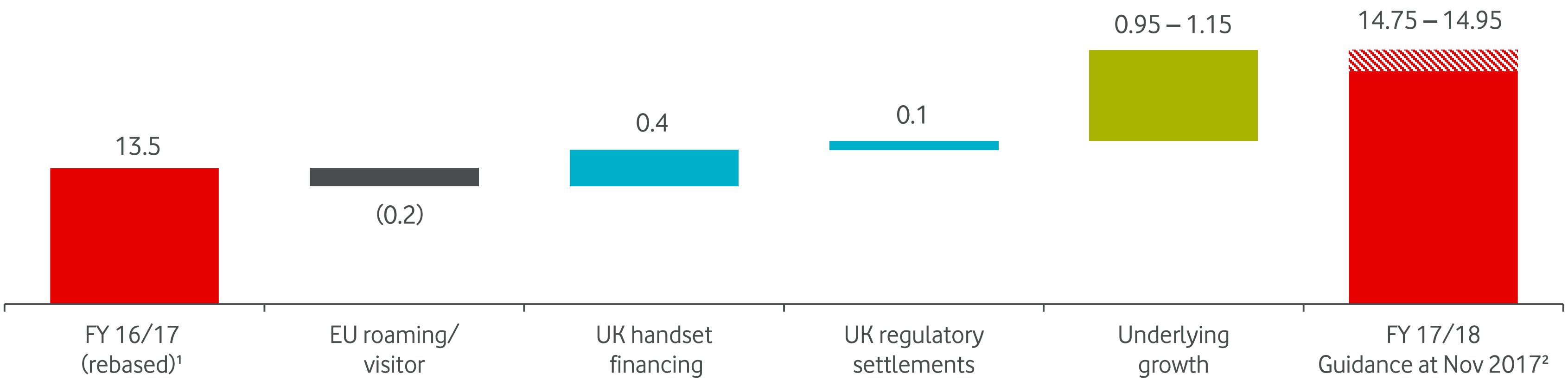
indus TOWERS
Exploring monetisation options

1. Initial agreement of 1m premises, with the option to build up to 5m premises
2. The sale of Vodafone India's and Idea's standalone towers to American Tower

# Raising guidance

## FY 17/18 EBITDA guidance at Nov 2017

(€bn)




| | | | | | |
|---|---|---|---|---|---|
| **Previously:** | **(0.3)** | **0.3** | **-** | **0.5 – 1.0** | **14.0 – 14.5** |

Organic EBITDA growth of **around 10%** (previously 4 - 8%)

Free cash flow (pre-spectrum) **to exceed €5bn** (previously ~€5bn)

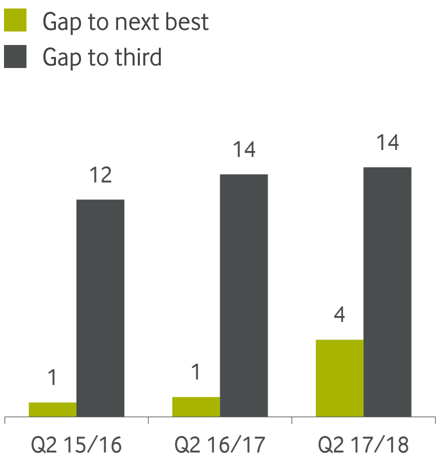
1. Includes shareholder recharges which are expected to be stable year-on-year and are excluded from organic growth
2. Guidance for FY 17/18 is based on our current assessment of the global macroeconomic outlook and assumes foreign exchange rates of €1: £0.85, €1:ZAR 14.6, €1:TRY 4.0 and €1:EGP 19.1. It excludes the impact of licences and spectrum payments, material one-off tax-related payments, restructuring costs and any fundamental structural change to the Eurozone. It also assumes no material change to the current structure of the Group

# Strategy & Progress

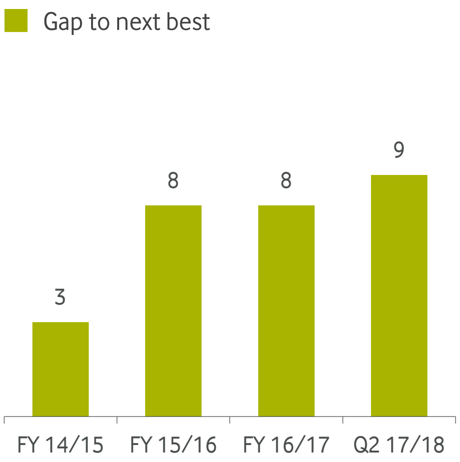
# Net promoter score: leading position

## Market leading NPS...

Consumer (points)[1]




Enterprise (points)




**Consumer NPS** lead or co-lead in 19/21 markets

19/20 markets lead or co-lead **in Enterprise**

## ... due to best customer experience[2]

**91%** mobile data sessions >3Mbps

**1Gbps** Fixed broadband launched[3]

My Vodafone App penetration[4] **58%** (+15pp YoY)

My Vodafone App

First call resolution **67%** (+2pp YoY)

1. Gap to next best based on 21 markets. Gap to third based on 19 markets
2. Europe Q2 17/18
3. In Spain, Italy, Portugal and Ireland
4. Penetration of smartphones

# Mobile Data monetisation: more-for-more, Vodafone Pass

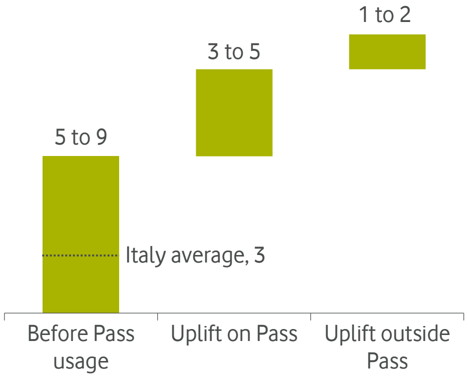
## Actions – major markets

| | More-for-more | Vodafone Pass |
|---|---|---|
| Q1 17/18 | | |
| Q2 17/18 | | Voxi |
| Q3 17/18 | | Mass market |

- 2nd year of M4M initiatives
- Vodafone Pass commenced June: **7** markets[1], **7.8m** customers

## Vodafone Pass: driving usage…

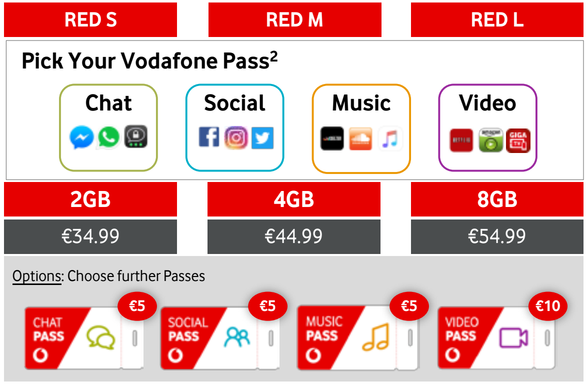
Italy cohort analysis for early adopters (GB)




- 1.1m users, early indications show 25-30% retained after free summer promo

## … and ARPU

Germany: launched end of October

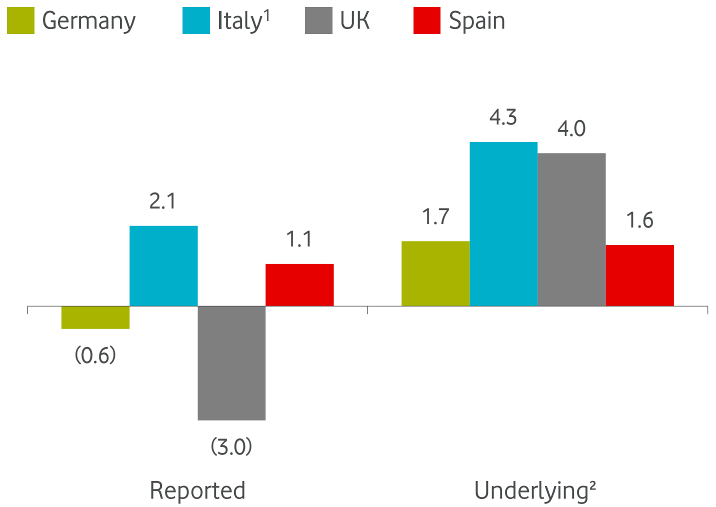



- Germany: targeting higher ARPU through €3 higher fee and add on options

1. IT, UK, ES, GR, HU, RO, TU. October launched in DE and CZ taking the total to nine markets
2. Customers can only select a Video Pass within their tariff plan if on Red M plan or above

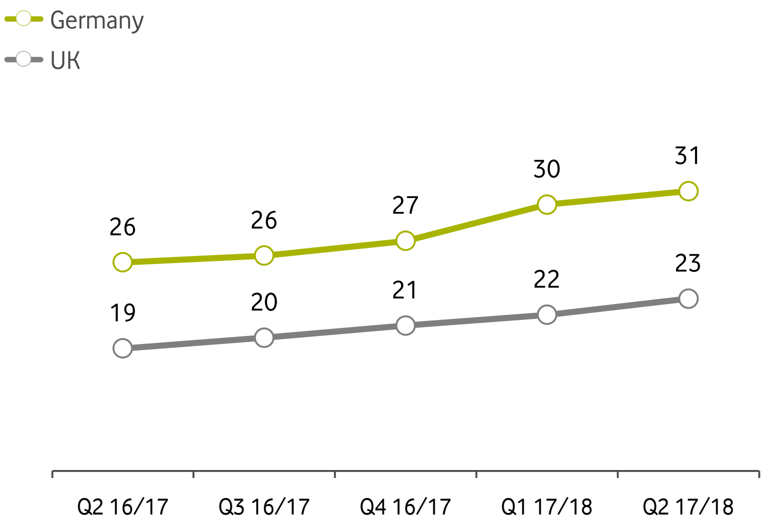
# Mobile Data monetisation: underlying ARPU growing

## Consumer contract ARPU
(% change Q2 17/18, local currency)




- Reported impacted by regulation, SIM-only and handset financing
- Underlying growth[2] ex. regulation driven by M4M actions

## Increasing share of SIM-only
(% of consumer contract base)[3]

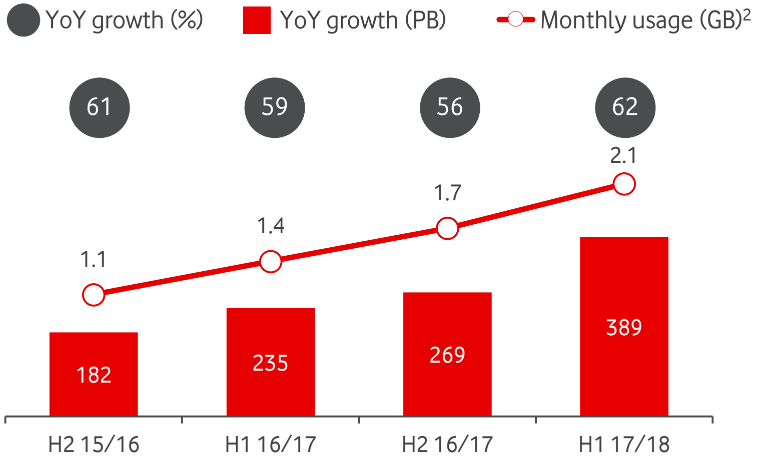



- Sim-only now **~40%** of gross adds in Germany and UK

1. Consumer prepaid active base
2. Excluding EU regulation
3. Direct channels only in Germany

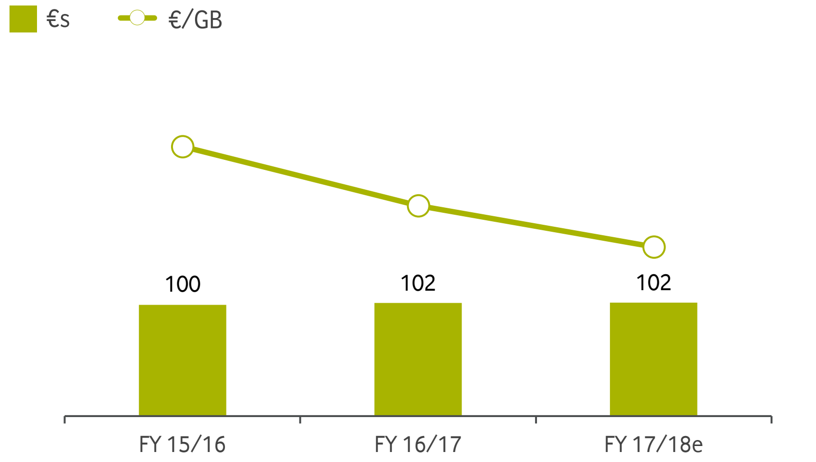
# Mobile Data monetisation: unit cost efficiencies

## Europe Mobile data usage is growing rapidly[1]




- Two thirds of data use is on 4G for video and web browsing
- Traffic shifting to Mobile; WiFi still 79% (-4pp YoY)[3]

## Stable European network costs[4]




- Improving spectral efficiency: 4G+ (1.4x 4G), 5G (4x 4G)[5]
- Re-use existing 1800MHz grid for 5G with Massive MIMO[6]
- Optimal backhaul mix of fibre in dense urban areas and high capacity microwave elsewhere

1. Excluding the Netherlands
2. Monthly iPhone and Android average data usage
3. Average of Germany, UK, Italy, Spain
4. Opex & Depreciation
5. Spectral efficiency measured in Bits/Hz/second
6. Multiple-in-Multiple-out technology

# Mobile Data monetisation: Consumer IoT

## Consumer IoT market opportunity

**370m**
addressable mobile SIM market by 2020[1]

50m today

## Category builder brand

V by Vodafone

## Initial products[2]

**V-Auto**

Car tracking, rapid emergency response

**V-Camera**

4G Mobile security camera

**V-Bag**

Anti-theft, bag tracker

**V-Pet**

Pet location & activity tracker

- Fixed price plan, with no usage charges

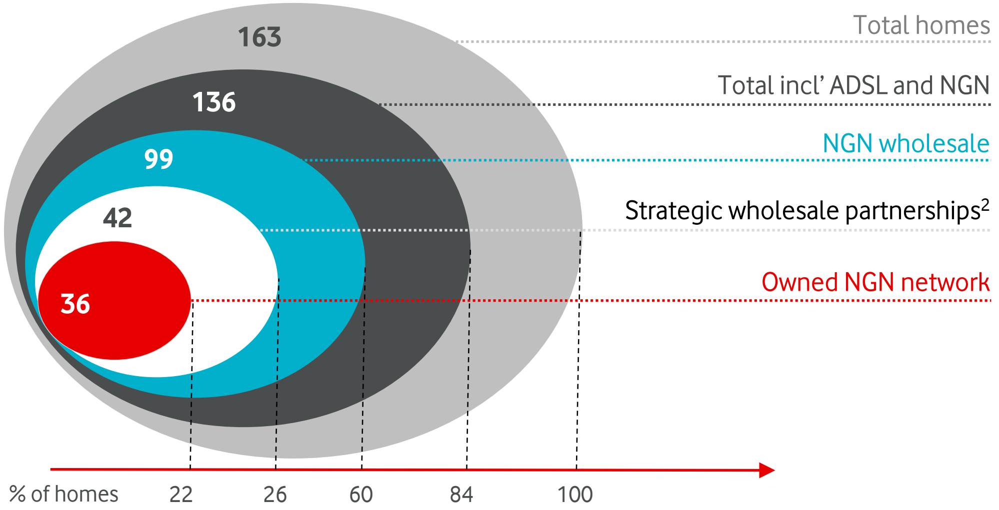
## Differentiators

1. IoT expertise in Enterprise: ~€730 p.a. revenue, 62m SIMs
2. Unique plug & play, simple set up
3. Seamless link to existing mobile account via charge-to-bill platform
4. Market-place for developers starting Q4, ecosystem to be built in FY 18/19

1. Analysys Mason, Berg Insight, Ericsson, Strategy Analytics, Vodafone
2. Launched in November in Germany, Italy, UK and Spain

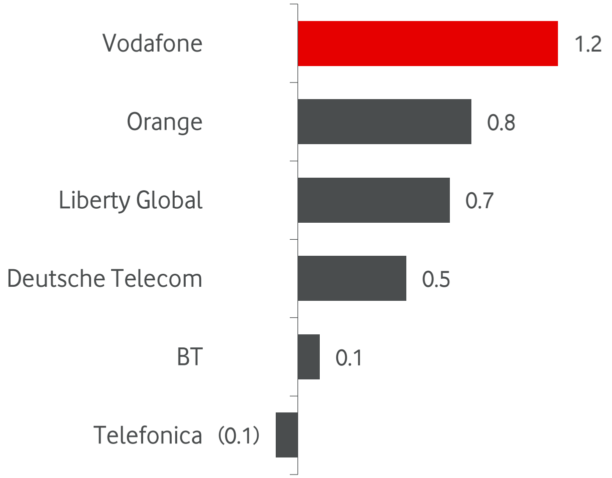
# Fixed & Convergence: leading scale and growth momentum

## European homes marketable (Q2 17/18)[1] (m)




- Leading NGN marketable footprint in EU, #3 on-net
- Growth opportunities: **27%** on-net penetration, 3% off-net

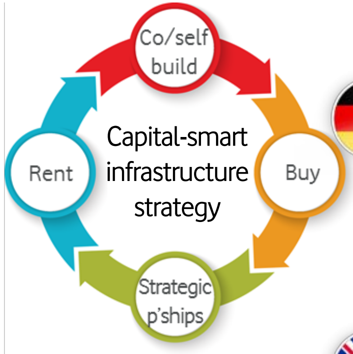
## European broadband net adds (LTM)[3] (m)




- **11.8m** NGN users (69% of broadband base); 1.8m net adds in LTM[1]
- **4.7m** Converged users (31% of consumer broadband); 1.4m net adds in LTM[1]

1. Includes VodafoneZiggo
2. Includes Telefonica (selected areas in Spain) and Open Fiber (Italy)
3. Europe last 12 months to Q2 17/18. Includes VodafoneZiggo in both Vodafone and Liberty Global

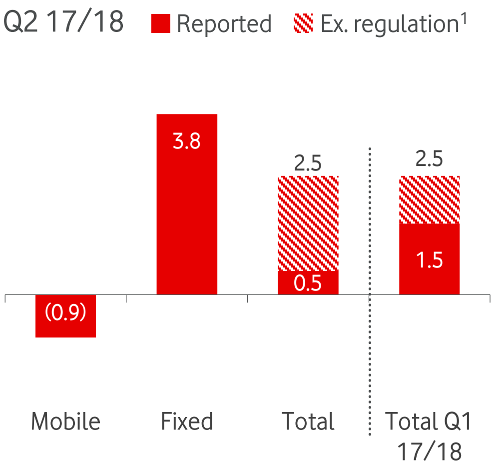
# Fixed & Convergence: enhancing footprint




| | Agreement | | Opportunity | Return |
|---|---|---|---|---|
| Co/self-build | **Germany** Gigabit Investment Plan | • Fibre to **2k** business parks<br>• FTTH to **1m** rural homes<br>• **12.6m** cable homes upgraded to 1Gbps by 2021 | • Business parks under-served<br>• Speed leadership in consumer | • Incremental revenue<br>• Attractive IRR >20%<br>• Payback <4 years per business park, <6 years per municipality |
| Strategic Partnerships | **UK** CityFibre | • Up to **5m** premises passed with FTTH by 2025<br>• Exclusivity period, 20% volume commitment on first 1m premises | • Speed leadership, 1Gbps | • Improved economics vs. wholesale |
| Co/self-build | **Portugal** Network share with NOS | • Share **2.6m** FTTH homes by 2022 | • Expand coverage by +1.3m to 4.0m (80% of homes) | • Payback ~7 years |

# Enterprise: outperforming

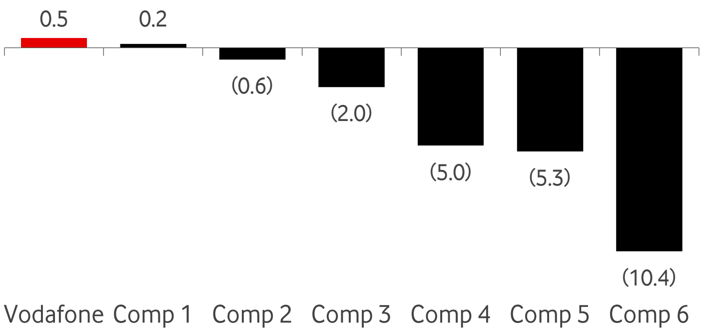
## Service revenue growth (%)




## Competitive assets

- Largest geographic reach
- Greater exposure to fast growing markets, AMAP **+5%** (17% of revenue)
- Lower exposure to legacy fixed voice, **<5%** of revenue
- IoT platform
- NPS leadership

## Outperforming peers[2] (%)




Stable growth ex. regulation

Leading scale and reach

Winning in the market, taking share

1. Excludes the impact of EU regulation
2. In alphabetical order: AT&T Global Business, BT Business & Public Sector, BT Global Services, Deutsche Telekom T-Systems, Orange Business Services, Verizon Enterprise Solutions

# Vodafone strategic programmes

**PROJECT SPRING**
Leading mobile data network
2013/14

**FIT FOR GROWTH**
Grow EBITDA faster than service revenue
2014/15

**CUSTOMER EXPERIENCE EXCELLENCE**
Leading consumer and enterprise NPS
2015/16

**DIGITAL VODAFONE**
A leading digital customer experience, data driven decisions, simpler & automated operations
2017/18

# Digital Vodafone: leading digital experience and operations

**The most engaging digital customer experience:**
blending the best of digital and human interaction in a personal, instant and easy way

### Customer
Differentiating the customer experience

### Technology
Using advanced data analytics to personalise offers

### Operations
Smart capex, simplification and automation to drive efficiency

**NPS boost** — Churn reduction

**Revenue growth** — ARPU enhancement

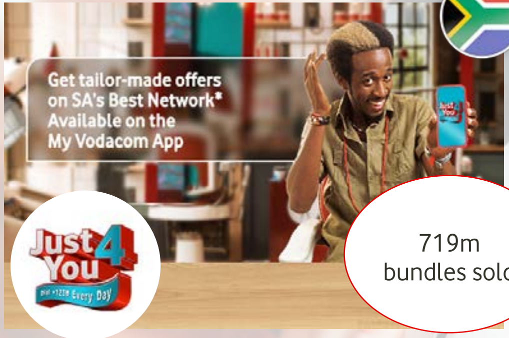
**Cost reduction** — Lower support and commercial costs

# Digital Vodafone: differentiating customer experience

**1 Marketing**
Big Data analytics/ Digital media

**2 Sales**
Focus on Digital channels

**3 Care**
Artificial Intelligence/Chatbots

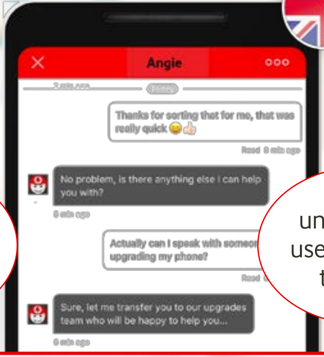



719m bundles sold

Shake Remix

| | |
|---|---|
| x10 data options | 1-20GB |
| x9 minute options | 100-unlimited |
| x4 SMS options | 100-unlimited |

Launched 4th Oct. Activations +12%[1]




understands users >90% of the time

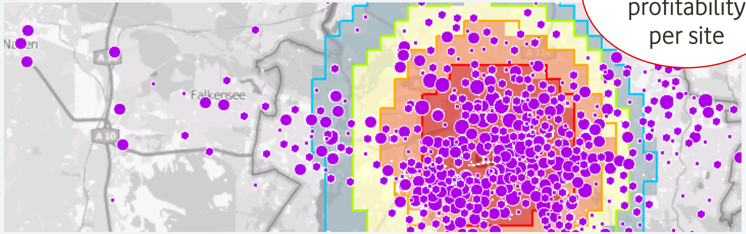
| | | | |
|---|---|---|---|
| **Benefits to customers** | Predictive and personalised offers | Instant access to services | Faster & easier support |
| **Benefits to Vodafone** | ARPU enhancement | Lower third party commissions | Reduced customer care costs |

1. Sep 2017 to Oct 2017

# Digital Vodafone: technology and operations

## Smart Capex

**Germany:** Assessing profitability per site




Increase capex efficiency

Advanced analytics for network CAPEX planning

## IT Transformation & DXL

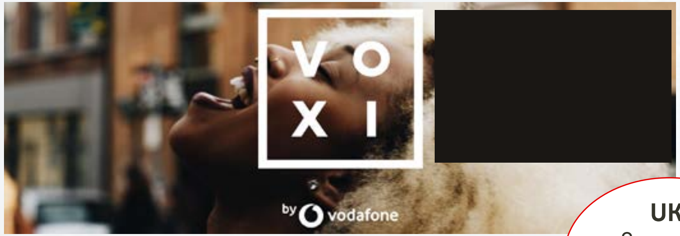
**UK:** integrated into billing systems in two days

"Alexa, how much is my Vodafone bill this month?"

Improve speed to market

Accelerates deployment of new digital capabilities

## Agile operating model

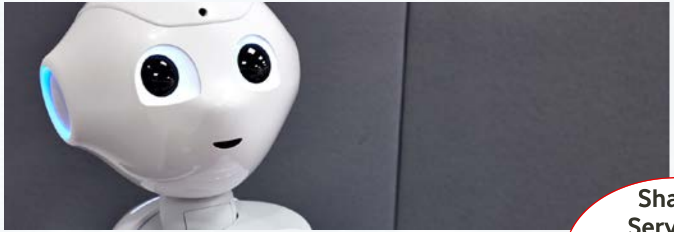



**UK:** 8 months from concept to launch

Fast release cycles

Cross functional Digital Accelerator Teams

## Automation & Simplification

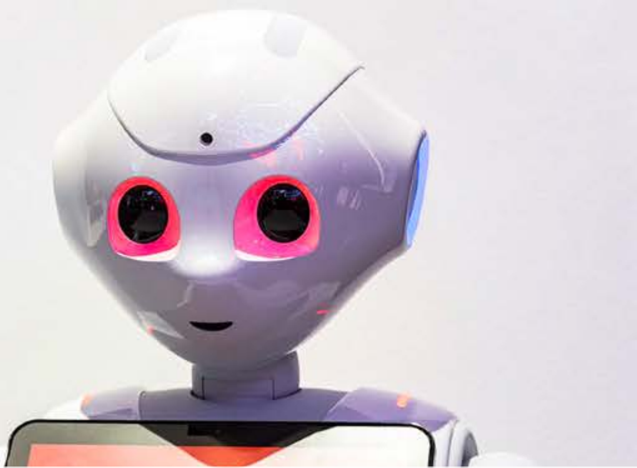


**Shared Services:** 6x productivity gain on trial bots

Optimise processes

Enhance efficiency of back office operations

# Digital Vodafone: ambition



## Significant progress already

- My Vodafone App penetration, **58%** in Europe
- Chatbots: **500-600k** interactions per month in Italy
- **100+** bots in operation, **>200** by Mar '18
- Digital accelerator teams in main markets

| Today | | Future | |
|---|---|---|---|
| 15% | Big Data share of CVM campaigns | 100% | Better targeting of the base |
| ~10% | Digital channels share of mix | >40% | Increase efficiency and reduce reliance on indirect channels |
| Mostly human | Preferred support channel | Mostly digital | Improve customer experience |
| Four markets[1] | Customer profitability analytics | All markets | Enhanced targeting of pricing, distribution and network resources |

**We intend to lead the industry in the transition to Digital**

1. Germany, Spain, Czech Republic and Australia

# The future is exciting. Ready?





**A brand that inspires optimism in everyone to benefit from new, exciting technologies**

# Summary H1 17/18

- Leading customer experience and network quality supporting differentiation
- Capital-smart NGN strategy – progressing market by market
- Continued momentum in 'growth engines' of mobile data, fixed/convergence and Enterprise
- 'Fit for Growth' programme lowering absolute operating costs
- 'Digital Vodafone': ambition to enhance customer experience, generate incremental revenues and drive efficiencies
- **Full year guidance raised: around 10% organic EBITDA growth, FCF pre-spectrum to exceed €5bn**

**The future is exciting.**

**Ready?**

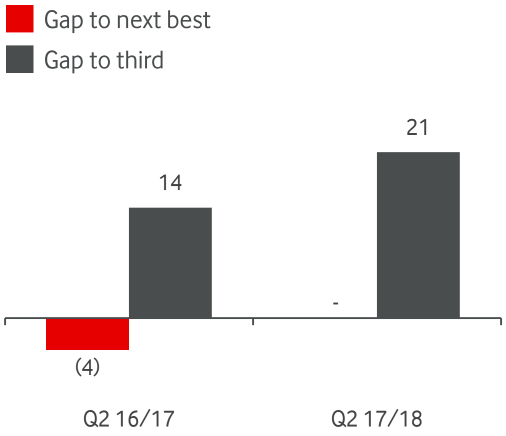
# Q&A

# Appendix

# Germany: strong customer growth offsetting regulatory headwinds

## Customer experience

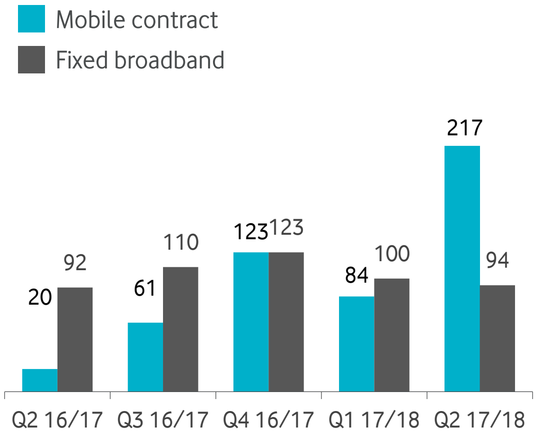
Consumer NPS (points)




- **#1 NPS**; 4G coverage 91%, 375Mbps in 34 cities, 500Mbps in **20** cities
- €2bn Gigabit investment plan underway

## KPIs

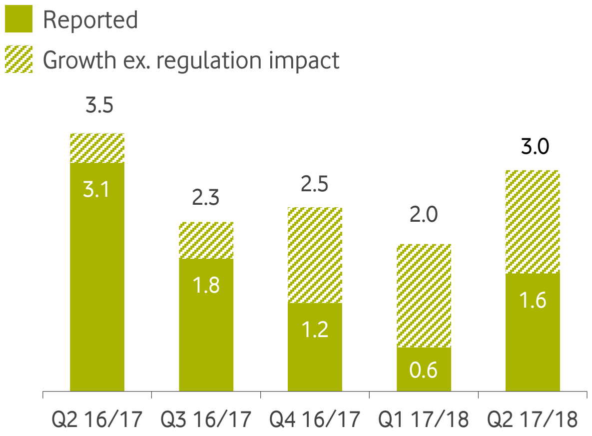
Customer net adds (000s)




- Mobile: strong Gigacube take-up and higher activity in direct channels (**45%** of gross adds)
- Fixed: **71k** cable net adds. 60% of cable sales ≥200Mbps (PY 30%)

## Financial results

Service revenue growth (%)

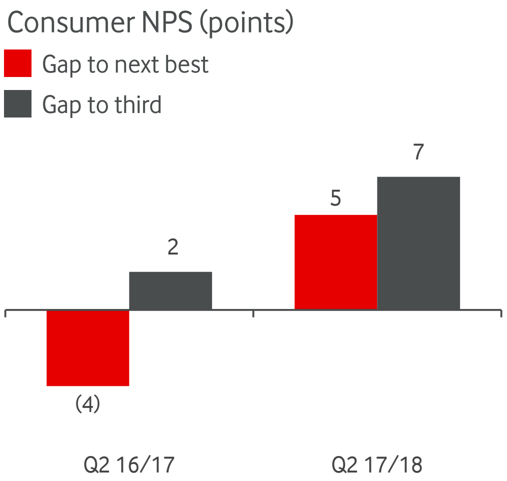



- Mobile **+2.8%** ex. regulation[1]; driven by customer growth
- Fixed **+3.0%**; customer growth
- H1 EBITDA **+7.7%**, margin +2.6pp to 36.6%; A&R and operational efficiencies

1. MSR was +0.7% on a reported basis

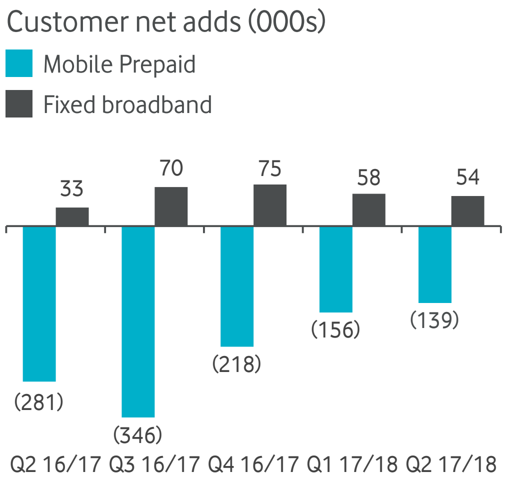
# Italy: pricing environment remains highly competitive

## Customer experience



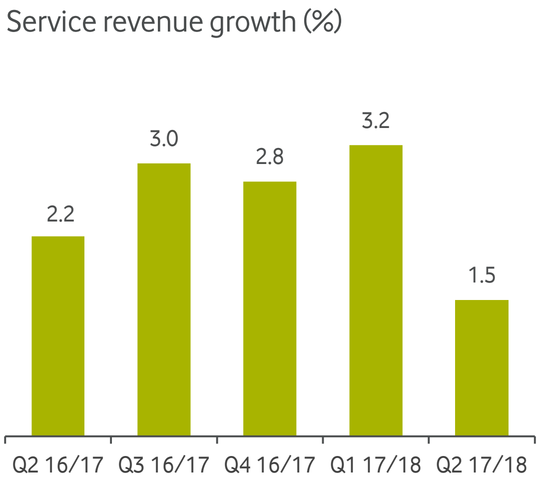

- 4G coverage **98%**, 10.5m 4G customers
- 14.0m NGN homes marketable, o/w **5.2m** on-net/Open Fiber

## KPIs




- Mobile: prepaid customer decline, intense competition
- Fixed: 2.3m broadband customers
- **Vodafone Pass** launched in June
- New convergence offer, **Vodafone One** launched in October

## Financials

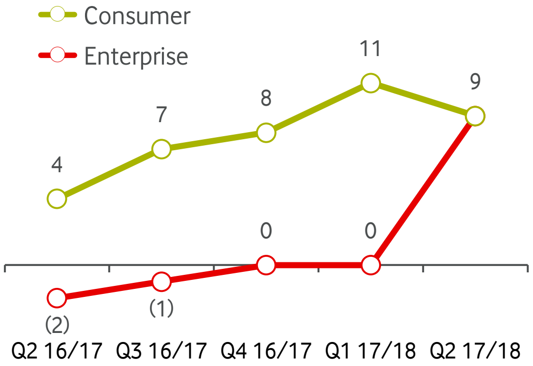



- Mobile: **-0.7%** (Q1 +0.9%); lapping tariff changes in PY and roaming declines, partially offset by higher visitor revenue
- Fixed: **+12.3%** (Q1 +14.4%); strong customer growth and higher ARPU
- H1 EBITDA **+8.8%**, margin +1.9pp to 38.6%; due to tight cost control

# UK: operational improvements driving recovery

## Customer experience

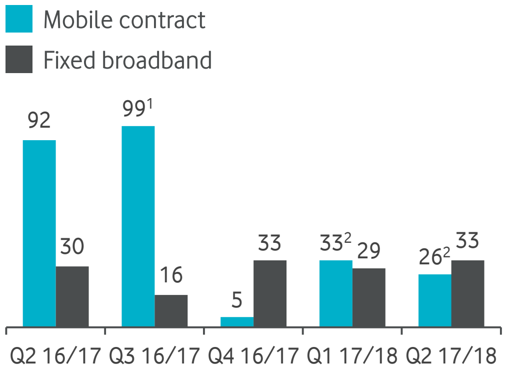
NPS (points)




- **Back to #1** in Enterprise NPS
- Network performance all-time high, 4G coverage **97%**
- **CityFibre** wholesale partnership agreement (up to 5m HH by 2025)

## KPIs

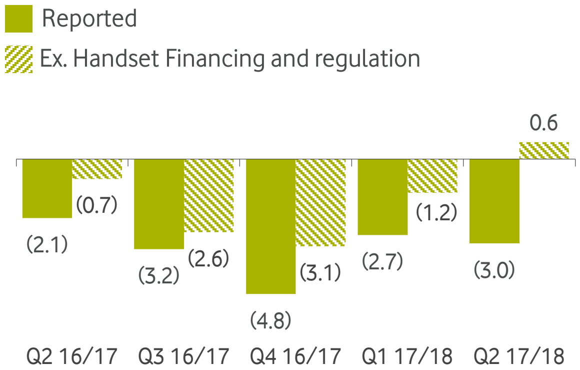
Customer net adds (000s)




- Contract branded growth ex. Talkmobile wind down
- Q2: best ever trading quarter for consumer fixed, **+35k**
- New youth brand launched VOXI

## Financials

Service revenue growth (%)



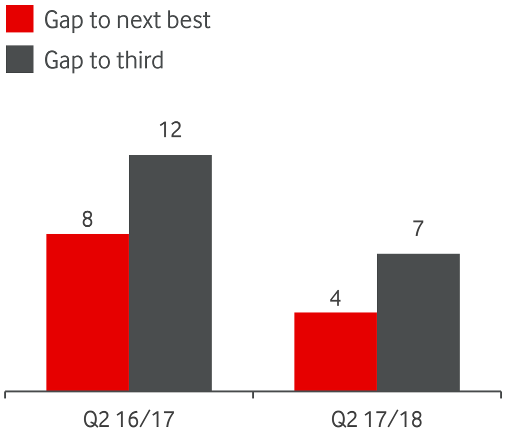

- Mobile: underlying improvement driven by CVM, consumer prices and customer mix
- Fixed: competitive pricing pressure in Enterprise partially offset by consumer customer growth
- Underlying **EBITDA[3] stabilising** -1.9%, margin -0.2pp, supported by F4G programme

1. Mobile contract additions in Q3 16/17 excludes the impact of a one-off customer base adjustment which reduced the base by 125k, reported -26k
2. Excludes the phasing out of the Talkmobile brand. Reported contract net adds in Q1 17/18 -2k, Q2 17/18 -3k
3. Excludes the impact of handset financing, regulatory settlements and central costs reallocations. Reported organic EBITDA +46.6%

# Spain: sustained growth

## Customer experience

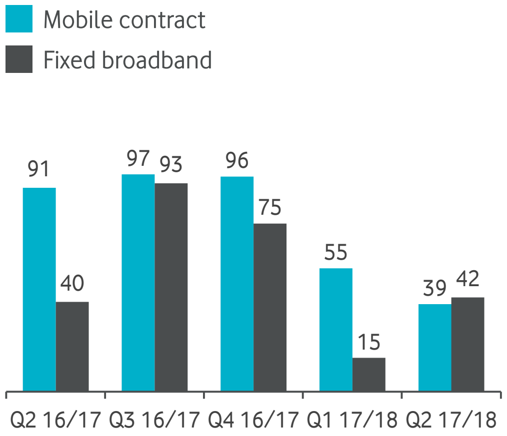
Consumer NPS (points)




- **94%** 4G coverage, **8.5m** 4G customers
- 19.5m NGN homes marketable, o/w **10.3m** on-net

## KPIs

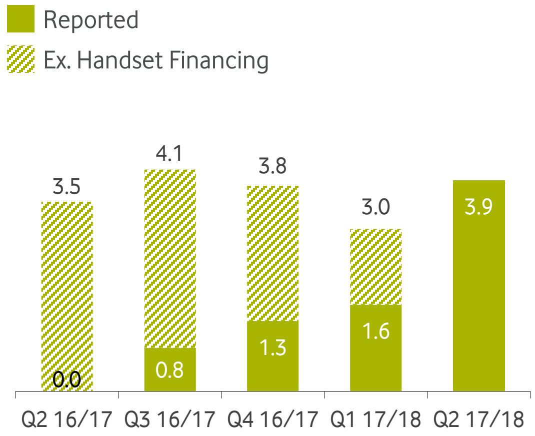
Customer net adds (000s)




- Customer growth despite more price competition in value segment
- Vodafone One **2.5m** users, +459k YoY
- **Vodafone Pass** launched in July
- 2nd brand **Lowi** addressing demand in value segment

## Financials

Service revenue growth (%)

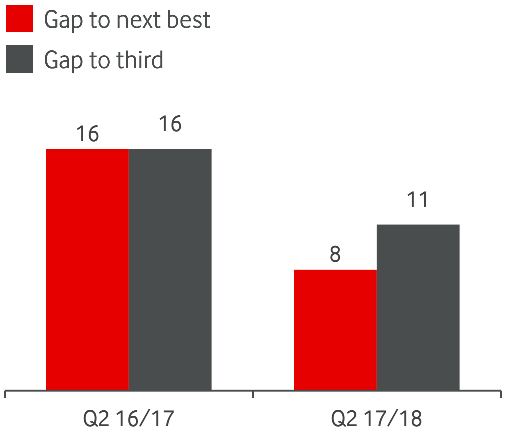



- **Q2 acceleration**; end of handset financing drag, customer growth, full quarter impact of M4M actions, visitor revenue +73%
- H1 EBITDA **+9.6%**, margin +2.2pp to 29.9%; cost actions offset higher content and wholesale fixed access costs

# Vodacom: segmentation and value offers attracting users

## Customer experience

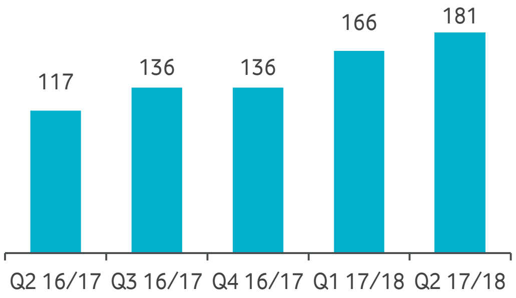
South Africa consumer NPS (points)




- **Network leader.** Ookla rating 'Best Network', 'Best 4G network'
- 4G coverage **77%**

## KPIs

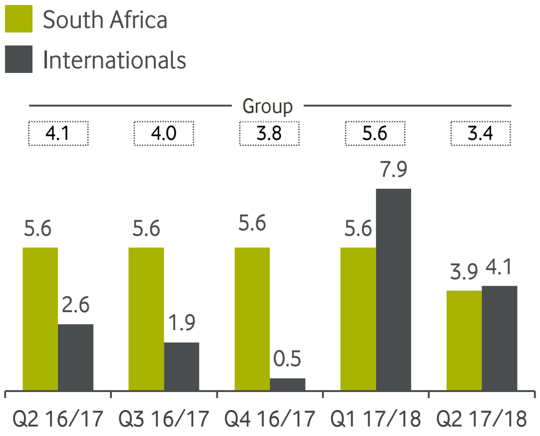
South Africa data bundles sold (m)




- Segmentation and bundle strategy driving bundle users to 18.2m (+19%)
- Data volumes per smart device **+24%**, effective price per MB **-29%**
- Contract churn remains low, 4.7%

## Financials

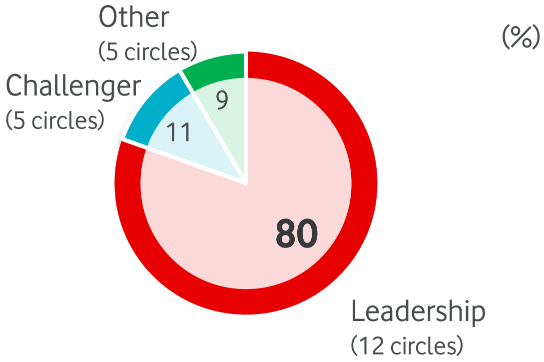
Vodacom service revenue growth (%)



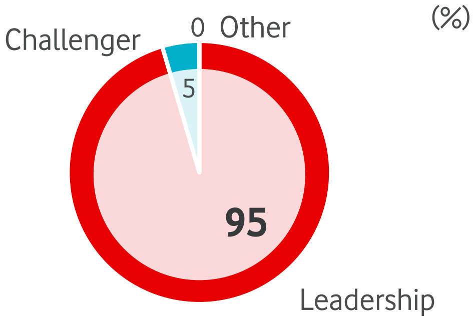

- SA: slowed due to tough comparator and bigger data bundles
- Internationals: strong underlying trend masked by economic and currency weakness in DRC
- H1 EBITDA **+4.4%**; margin 38.0%, -0.6pp impacted by handset sales

# India: H1 17/18 circle-by-circle investment strategy

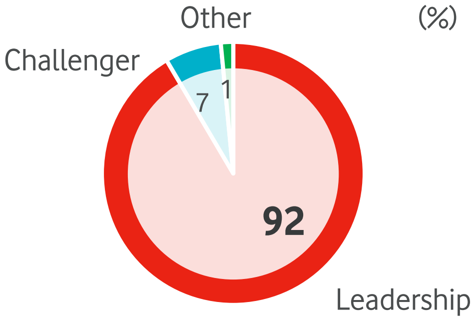
## Service revenue €2.6bn



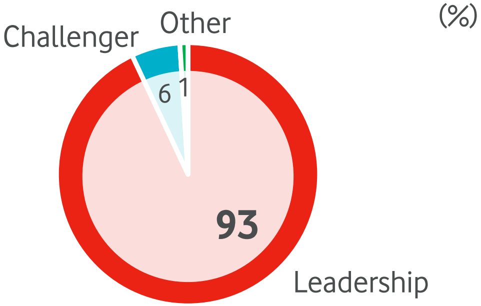

## Adjusted EBITDA €0.6bn



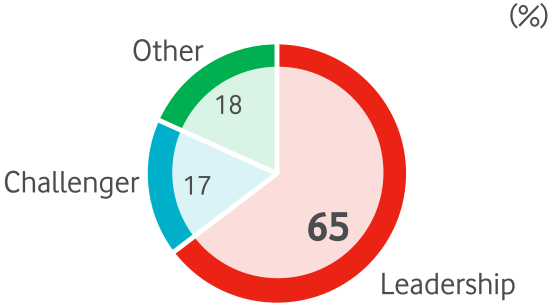

## Capital additions €0.4bn



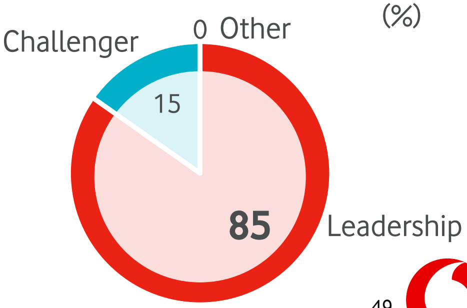

## Spectrum acquired[1]




## 2G sites 139k




## 3G/4G sites 128k




1. Spectrum acquired since 2010

# Customer experience and commercial KPIs

## Europe

| | Q2 16/17 | Q3 16/17 | Q4 16/17 | Q1 17/18 | Q2 17/18 |
|---|---|---|---|---|---|
| 4G customers (m) [1] | 39.3 | 43.3 | 47.0 | 50.6 | 53.3 |
| Broadband customers (m) [1] | 12.9 | 16.2 | 16.6 | 16.8 | 17.1 |
| Converged customers (m) [1] | 3.2 | 3.4 | 3.7 | 4.4 | 4.7 |
| Contract churn (%) | 15.5 | 16.7 | 15.3 | 15.1 | 15.4 |
| 4G % outdoor population coverage(%) [1] | 90 | 91 | 92 | 92 | 93 |
| % of data sessions >3Mbps | 90 | 91 | 92 | 91 | 91 |
| % of dropped calls | 0.48 | 0.41 | 0.38 | 0.39 | 0.41 |

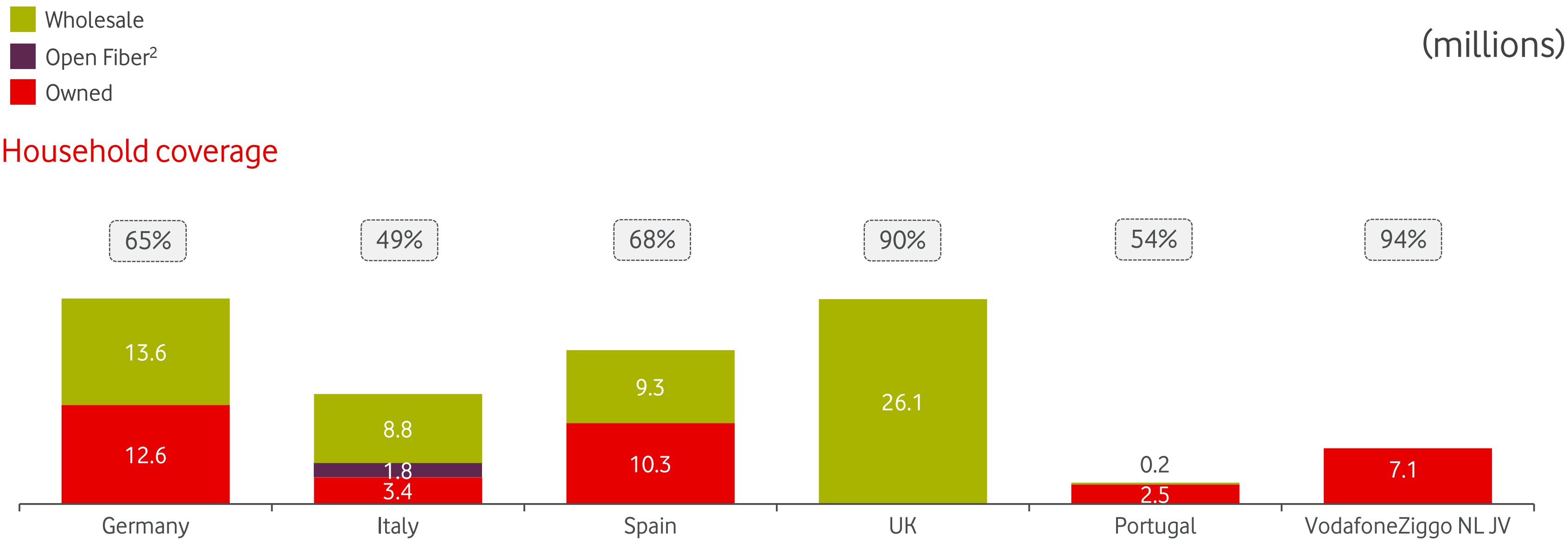
## AMAP

| | Q2 16/17 | Q3 16/17 | Q4 16/17 | Q1 17/18 | Q2 17/18 |
|---|---|---|---|---|---|
| 4G customers (m) [2] | 20.0 | 23.3 | 27.8 | 33.4 | 40.1 |
| Broadband customers (m)[2] | 1.2 | 1.3 | 1.3 | 1.7 | 1.7 |
| Converged customers (m) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Contract churn (%) | 16.4 | 17.7 | 18.7 | 17.7 | 15.6 |
| 3G/4G outdoor coverage (%) | 85 | 86 | 86 | 86 | 86 |
| % of data sessions >3Mbps | 86 | 85 | 86 | 86 | 86 |
| % of dropped calls | 0.49 | 0.51 | 0.48 | 0.51 | 0.56 |

All figures exclude India and VodafoneZiggo unless otherwise stated

1. Includes VodafoneZiggo from Q3 16/17
2. Includes India JVs, and associates (Kenya, Australia)

# European homes reached with NGN[1]




**99m** households passed with NGN (incl. wholesale)

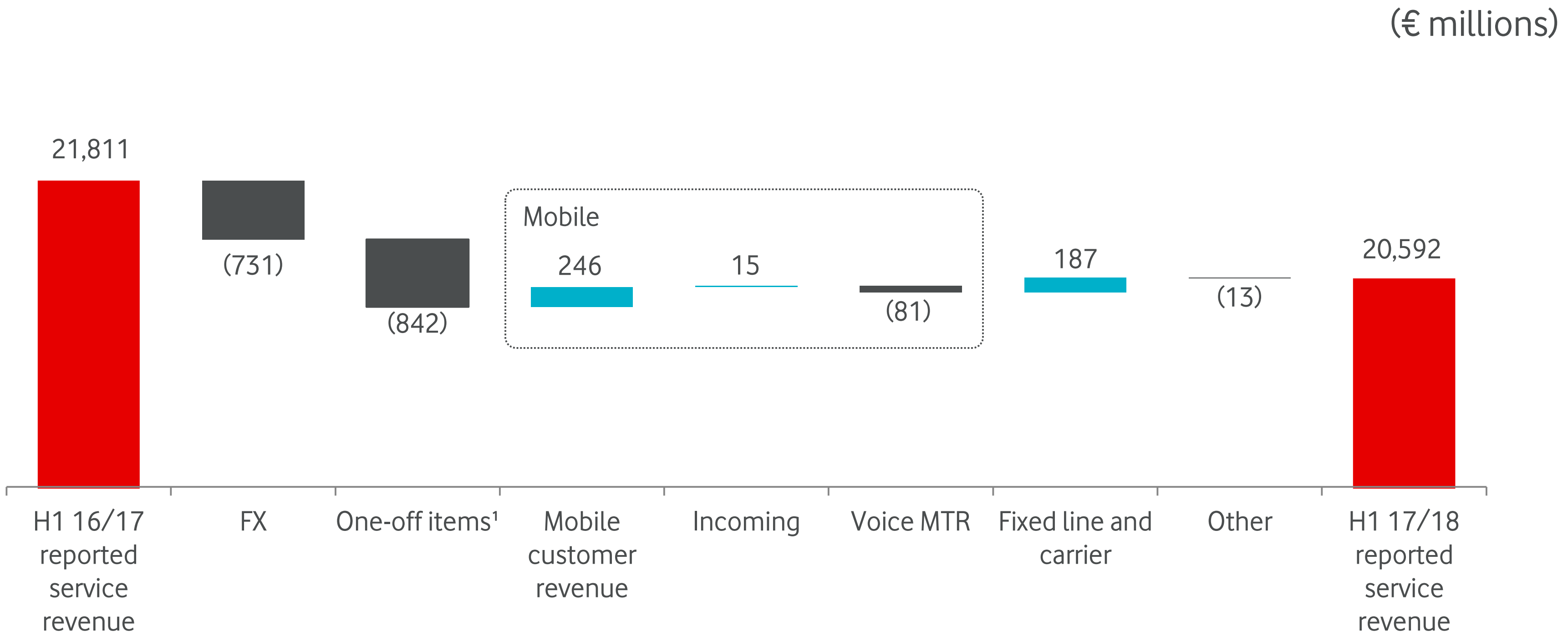
**60%** coverage

**36m** households passed with own NGN

**22%** coverage

1. Excludes 2.8m wholesale NGN homes passed in Greece and Ireland
2. Of the 2.0m homes reached, 1.8m were marketable at the end of September

# Service revenue bridge




1. Excludes NL results

# Voice MTR impact

| | H1 17/18 | | H1 16/17 | | |
|---|---|---|---|---|---|
| | €m | pp | €m | pp | |
| **Europe** | | | | | |
| Service revenue | (72) | (0.5) | (29) | (0.2) | H1 17/18: Germany €54m, Ireland €14m |
| Adjusted EBITDA | (19) | | (7) | | |
| **AMAP** | | | | | |
| Service revenue | (9) | (0.2) | (12) | (0.3) | H1 17/18: South Africa €9m |
| Adjusted EBITDA | - | | (5) | | |
| **Group** | | | | | |
| Service revenue | (81) | (0.4) | (41) | (0.2) | |
| Adjusted EBITDA | (19) | | (12) | | |

# Profit

| | H1 17/18 (€m) | Restated H1 16/17 (€m) |
|---|---|---|
| **Adjusted EBIT** | **2,457** | **2,050** |
| Share of result in associates and joint ventures | 171 | 73 |
| **Adjusted operating profit** | **2,628** | **2,123** |
| Net financing costs | 152 | (123) |
| Taxation | (579) | (1,114) |
| Customer & brand amortisation | (543) | (515) |
| Restructuring costs | (33) | (37) |
| Other | (45) | (56) |
| **(Loss)/Profit from continuing operations** | **1,580** | **278** |
| **(Loss)/Profit from discontinued operations** | **(345)** | **(5,281)** |
| **(Loss)/Profit for the financial year** | **1,235** | **(5,003)** |
| Non controlling interests | (104) | (126) |
| **(Loss)/Profit attributable to owners of parent** | **1,131** | **(5,129)** |

# Adjusted EPS reconciliation

| | H1 17/18 (€m) | Restated H1 16/17 (€m) | Reported growth (%) |
|---|---|---|---|
| **(Loss)/Profit attributable to owners of parent** | **1,131** | **(5,129)** | |
| Taxation [1] | 90 | 714 | |
| India[2] | 345 | 5,281 | |
| Net financing costs | (407) | (328) | |
| Customer & brand amortisation | 543 | 515 | |
| Non-controlling interests | (7) | (8) | |
| Restructuring costs | 33 | 37 | |
| Other | 45 | 56 | |
| **Adjusted profit for the year** | **1,773** | **1,138** | |
| **Weighted average shares (m)[3]** | **28,067** | **27,912** | |
| **Adjusted EPS (€ cents) [4]** | **6.32** | **4.08** | **55.0** |

1. Half year ended 30 September 2017 includes a tax charge of €110m relating to a tax charge in respect of capital gains on the transfer of shares in Vodafone Kenya Limited to the Vodacom Group. Half year ended 30 September 2016 includes a reduction in the deferred tax asset of €588 million) arising from the tax treatment of the revaluation of investments based upon the local GAAP financial statements and tax returns, partially offset by a reduction in the deferred tax asset as a result of lower interest rates.
2. India is classified as discontinued operations and includes the operating results, financing, tax and other gains and losses of Vodafone India recognised during the period.
3. Weighted average number of shares outstanding includes a dilution of 1,292 million shares (2016: 1,325 million shares) following the issue of £2.9 billion of mandatory convertible bonds in February 2016 which are classified as equity after taking into account the cost of future coupon payments.
4. Adjusted profit attributable to owners of the parent and adjusted earnings per share are alternative performance measures. Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Alternative performance measures" on page 42 of the half year results press release for further details.

# Taxation

| | H1 17/18 (€m) | H1 16/17 (€m) | |
|---|---|---|---|
| **Taxation** | **(579)** | **(1,114)** | |
| Deferred tax assets - Luxembourg | - | 588 | Deferred tax following revaluation of investments in Luxembourg and impact of lower interest rates. |
| Additional deferred tax assets recognised | (159) | - | Tax assets in Luxembourg to be utilised within 60 years. |
| Amortisation of deferred tax assets | 168 | 230 | Use of tax asset in Luxembourg. |
| Tax on the Safaricom transaction | 110 | - | CGT on sale of Safaricom to Vodacom. |
| Other | (29) | (104) | |
| **Adjusted tax expense** | **(489)** | **(400)** | |
| **Adjusted effective tax rate** | **22.2%** | **25.0%** | |

# Financing costs

| | H1 17/18 (€m) | H1 16/17 (€m) |
|---|---|---|
| **Net financing costs** | **152** | **(123)** |
| Mark to market - Mandatory convertible bonds | (175) | (89) |
| FX[1] | (302) | (239) |
| **Adjusted net financing costs** | **(325)** | **(451)** |
| Other mark to market of derivative positions | (20) | 65 |
| Interest expense arising on settlement of outstanding tax issues | 33 | 31 |
| **Net financing costs before settlement of outstanding tax issues** | **(312)** | **(355)** |
| FX impact on intragroup lending | 59 | 60 |
| Bond delta and FV/FX on Share buyback irrevocable[2] | (92) | - |
| India income due to deconsolidation | - | (79) |
| Other | (52) | (40) |
| **Underlying net financing costs (a)** | **(397)** | **(414)** |
| Average net debt (b) | (31,341) | (32,193) |
| **Net cost of debt[3]** | **2.5%** | **2.6%** |

1. Comprises foreign exchange rate differences reflected in the income statement in relation to certain sterling and US dollar balances
2. Mostly related to amortisation of bonds carried above par
3. Cost of debt: (a/b) x 100

# Currency mix of net debt and EBITDA

| Currency | H1 17/18 closing net debt (€bn) |
|---|---|
| EUR | 31.2 |
| ZAR | 1.5 |
| GBP | (3.0) |
| Other | 2.4 |
| **Net debt excl. India** | **32.1** |
| **Net debt incl. India** | **40.1** |

| Currency | H1 17/18 closing adjusted EBITDA (€bn) |
|---|---|
| EUR | 4.4 |
| ZAR | 0.9 |
| GBP | 0.9 |
| Other | 1.2 |
| **Total** | **7.4** |

# Forward-looking statements

This presentation, along with any oral statements made in connection therewith, contains "forward-looking statements" including 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.

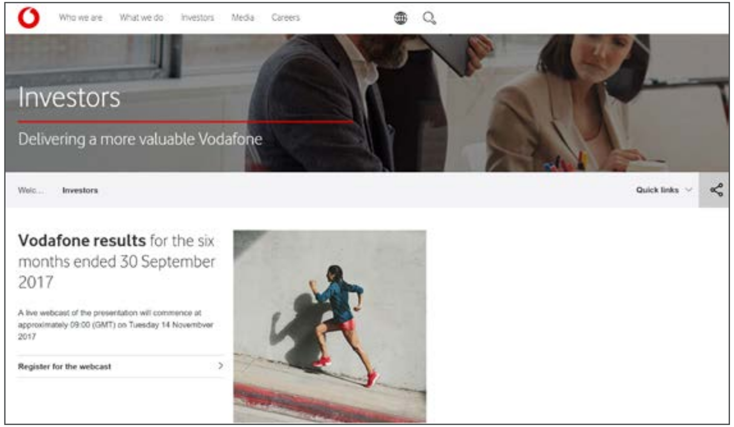
In particular, such forward-looking statements include, but are not limited to: expectations regarding the Group's financial condition or results of operations; expectations for the Group's future performance generally; expectations regarding the Group's operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; and expectations regarding, service revenue, adjusted EBITDA, free cash flow, capital expenditure, and foreign exchange movements.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "plans", "targets" "gain", "grow", "continue", "retain" or "accelerate" (including in their negative form). 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 may or may not 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 general economic or political conditions in markets served by the Group and changes to the associated legal, regulatory and tax environments; increased competition; the impact of investment in network capacity and the deployment of new technologies, products and services; rapid changes to existing products and services and the inability of new products and services to perform in accordance with expectation; the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services; the Group's ability to grow and generate revenue; a lower than expected impact of new or existing products, services or technologies on the Group's future revenue, cost structure and capital expenditure outlays; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers and increased pricing pressure; the Group's ability to expand its spectrum position or renew or obtain necessary licences and realise expected synergies and associated benefits; the Group's ability to secure the timely delivery of high-quality products from suppliers; loss of suppliers, disruption of supply chains and greater than anticipated prices of new mobile handsets; changes in the costs to the Group of, or the rates the Group may charge for, terminations and roaming minutes; the impact of a failure or significant interruption to the Group's telecommunications, networks, IT systems or data protection systems; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into acquisitions, partnerships or joint ventures and entering into service franchising, brand licensing and platform sharing or other arrangements with third parties; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the Group's ability to integrate acquired businesses or assets; the extent of any future write-downs or impairment charges on the Group's assets, or restructuring charges incurred as a result of an acquisition or disposition; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; and/or changes in statutory tax rates and profit mix.

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 the headings "Forward-looking statements" and "Risk management" in the Group's Annual Report for the year ended 31 March 2017. The Annual Report can be found on the Group's website (vodafone.com/investor). All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to 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 or made in connection with this presentation will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

# More information

## Visit our website for more information




www.vodafone.com/investor

## Upcoming 2018 dates

| Q3 17/18 results | Prelim 17/18 results | Q1 18/19 results |
| --- | --- | --- |
| **1 February** | **15 May** | **20 July** |

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For definitions of terms please see www.vodafone.com/content/index/investors/glossary