



Vodafone Group Plc Interim Management Statement

For the 3 months ended 30 June 2014

25 July 2014

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Vittorio Colao

Group Chief Executive

Q1 14/15 highlights

- Group service revenue -4.2%; (-2.9% excluding MTRs); continued growth in AMAP, up 4.7%; Europe -7.9%, early signs of stabilisation in performance
- Driving data growth; 6.7m 4G users, data traffic growth accelerating - Europe +53%, Group +73%
- Strong progress on Project Spring: 4G coverage 52%, up 20ppts since September 2013
- Progress on unified communications: KDG integration commenced, new NGN¹ access agreements in Ireland, Portugal and Spain, Ono acquisition completed 23 July
- M&A: purchase of Cobra (M2M provider, £115m) and sale of Fiji (£51m)
- Net debt £14.1bn; free cash outflow £0.6bn

All growth rates shown are organic unless otherwise stated. Organic growth includes Italy at 100%, and excludes joint ventures (Indus, Australia and Fiji).

1. Next generation network



Service revenue growth by market

Q1 14/15 service revenue growth (excl. MTRs) (%)



- AMAP: continued growth driven by network quality, commercial execution and data users, +31% to 102m
- Europe: improving mobile KPIs; ARPU stabilisation QoQ in key markets, consumer contract churn -1ppt YoY. Continued strong customer growth in fixed






All growth rates shown are organic unless otherwise stated

1. Qatar based on total revenue. UK includes CWW in organic growth rates for the first time



Project Spring build progressing well

Cumulative build achievements since September 2013 ('000s)

	March 2014	June 2014	March 2016 target
New 2G sites	7	14	 47
New 3G sites	13	20	 73
New 4G sites	7	13	 77
New single RAN installations	20	36	 106
New high capacity backhaul sites	17	27	 87

Progress

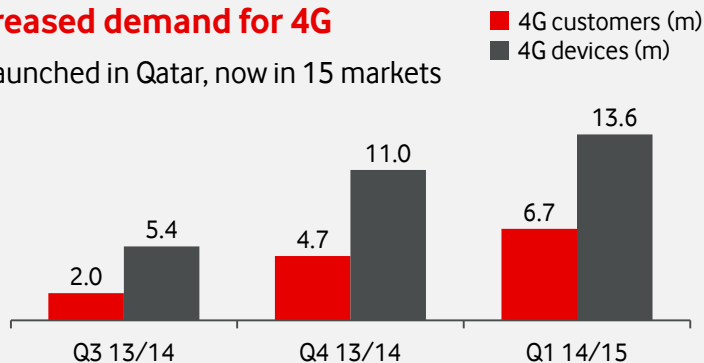
- Build programme c.25% complete
- European 4G network coverage 52% (Q4 46%). Target 91% by 2016
- India 3G coverage in targeted urban areas now 89%. Target 95% by 2016
- South Africa: added 473 4G sites taking 4G coverage to 22%. 75% of sites with high capacity backhaul
- Self-built fibre to 1 million more homes since September



4G: increased demand, usage and rollout

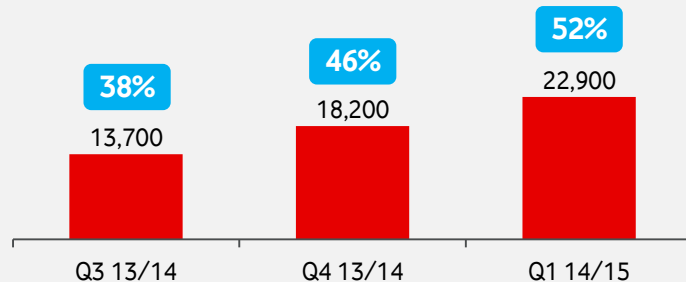
Increased demand for 4G

- Launched in Qatar, now in 15 markets



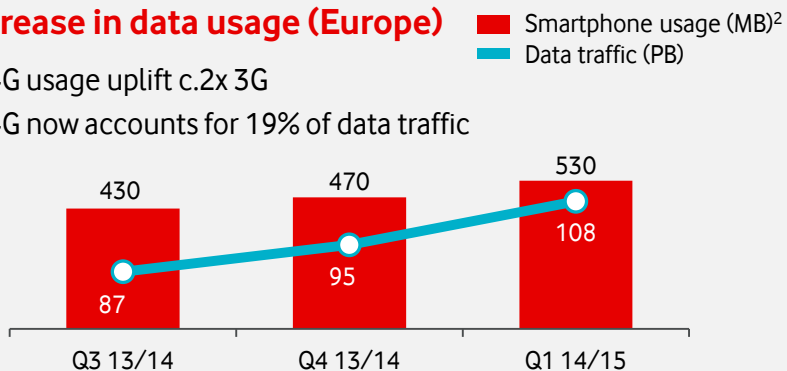
Further 4G rollout (Europe)

- 4G sites
- 4G outdoor coverage¹



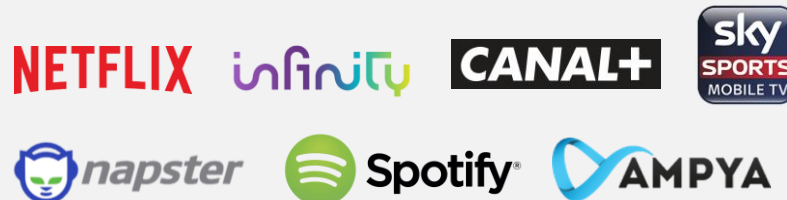
Increase in data usage (Europe)

- 4G usage uplift c.2x 3G
- 4G now accounts for 19% of data traffic



Progress on content

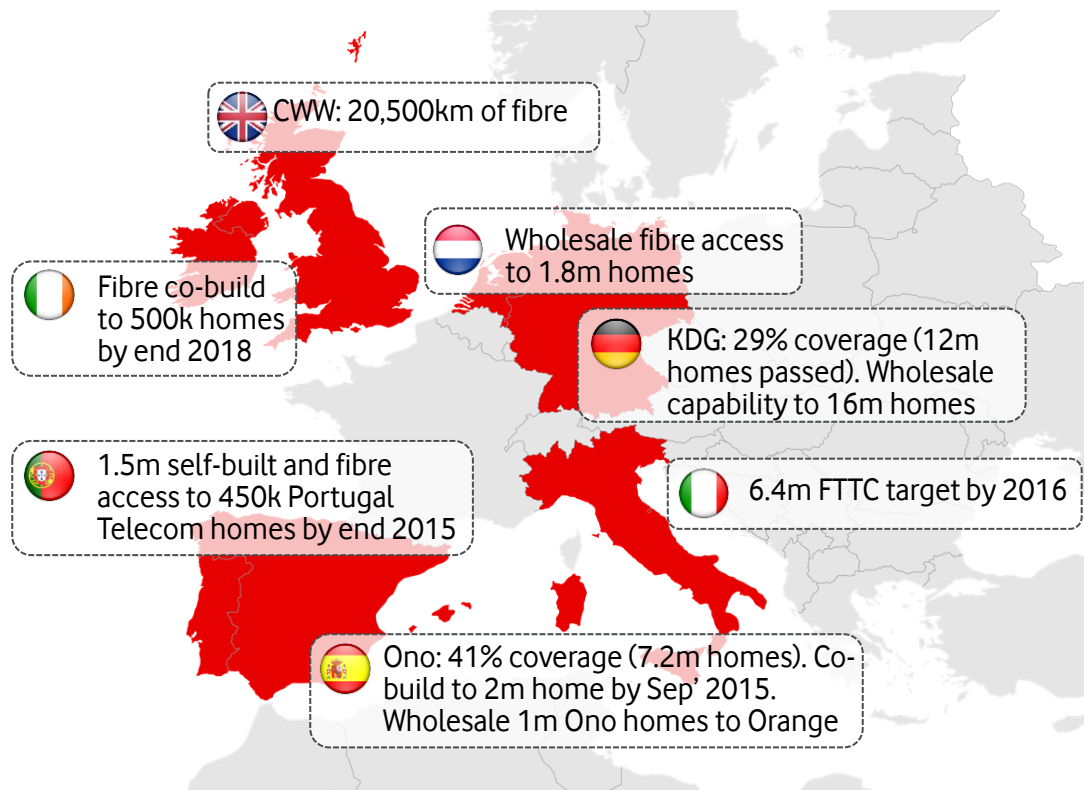
- Content packages available in 8 markets



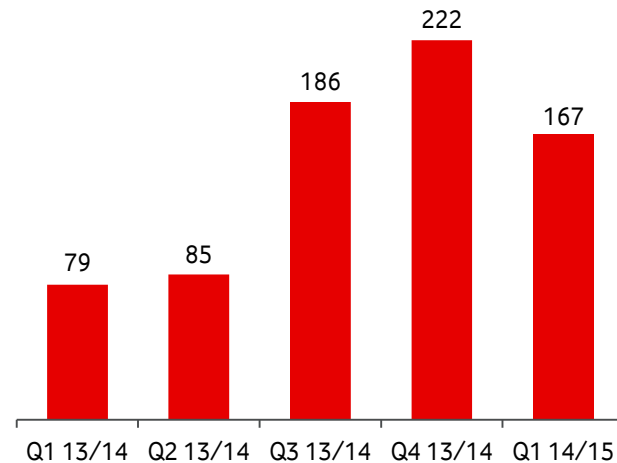
1. 4G >1 Mbps outdoor coverage
2. iOS and Android

Unified communications: continued progress and traction

Expanding Next Generation Network reach



Europe fixed broadband net adds ('000s)¹



- Fixed accounts for 23% of service revenue
- 9.4m fixed broadband customers across Group and 8.7m in Europe

1. Includes KDG for all periods



Regulation in Europe: some progress, more to do

Consolidation

- Ireland and Germany 4-to-3 moves approved
 - positive read across to other markets
- Still too much support for non-infrastructure based competition
- Remedies are inconsistent with investment in coverage and services

Roaming

- Clarity needed on “fair use” policy and customer experience
- Strong progress on daily packages:
 - 15m users, 22% of roamers
 - high satisfaction
 - extension to World traveller
- Decreasing financial exposure

Agenda for FY 14/15

- Net neutrality
- Spectrum harmonisation
- Roaming / connected continent implementation



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Nick Read

Group Chief Financial Officer

Group service revenue: evidence of commercial improvement

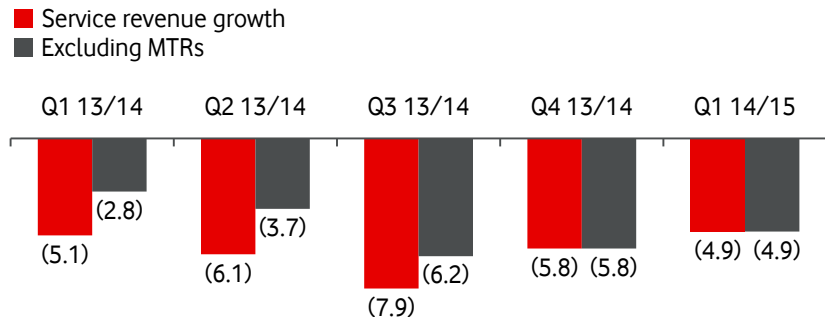
	Q1 14/15 £bn	Q1 14/15 YoY growth (%)	Q4 13/14 YoY growth (%)
Group service revenue	9.4	(4.2)	(4.0)
excluding MTRs		(2.9)	(2.8)
By region			
Europe	6.5	(7.9)	(8.7)
AMAP	2.9	4.7	7.6
By service			
Mobile in- bundle	3.9	4.7	8.0
Mobile out-of bundle	2.7	(13.5)	(15.3)
Mobile incoming	0.7	(16.2)	(10.3)
Fixed line	1.7	0.1	(1.8)
Other service	0.4	(4.5)	(14.9)

- Group: QoQ improvement in a number of markets, slowdown in India and Vodacom as expected, increased competition in Spain
- Mobile-in bundle +4.7%; Vodafone Red users +2.3m QoQ to 14.3m
- Enterprise -2.9%. VGE +2%, M2M +31%
- Fixed returns to growth; higher customer base
- FCF -£0.6bn; capex £1.9bn, +£0.8bn YoY due to Project Spring
- Net debt £14.1bn, +£0.4bn from March
 - excludes £3.1bn of Verizon loan notes
 - increases by £5.7bn after Ono completion



Germany: recovering operationally; KDG integration begun

Service revenue growth (%)



- ARPU stabilised QoQ. 65k contract net adds (after base clean up)
- 1.5m 4G contract customers, 10% of contract base
- Network performance improved; dropped call rate -19% YoY
- KDG: 5.8% revenue growth; 83k broadband net adds
- KDG integration on track and cross-selling commenced

Project Spring KPIs

	Q3 13/14	Q4 13/14	Q1 14/15
Deployment and experience			
4G % outdoor population coverage	67%	68%	70%
% of data sessions >3Mbps	77%	76%	76%
% of dropped calls	-	0.72%	0.77%
% homes reached by owned NGN	34%	34%	34%
% of targeted stores refitted	1%	1%	6%

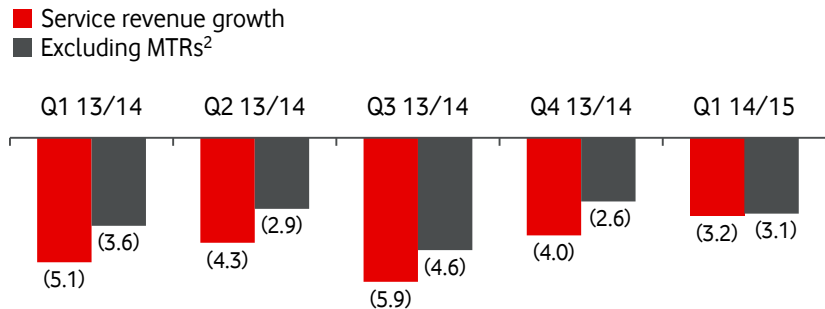
Commercial impact

4G customers (m)	1.1	1.3	1.5
Contract churn (%)	16.6%	15.9%	16.5%
Contract mobile ARPU (EUR)	28.2	27.6	27.7
Average smartphone data usage (MB)	410	420	444



UK: improving mobile service revenue trend

Service revenue growth (%)¹



- Mobile service revenue -0.6% (Q4 -3.8%); 2ppt MTR unwind
- Consumer mobile revenue +1.0%; contract base growth and ARPU stabilisation
- Enhanced 4G ARPU and NPS versus 3G, Netflix from 1 July
- Fixed revenue -10.1%; lower FTRs² and price competition
- CWW in organics (-2.6ppt impact on SR). Integration on track
- 15 new stores opened

Project Spring KPIs

	Q3 13/14	Q4 13/14	Q1 14/15
Deployment and experience			
4G % outdoor population coverage	35%	35%	41%
% of data sessions >3Mbps	75%	77%	78%
% of dropped calls	-	0.97%	0.95%
% homes reached by owned NGN	0%	0%	0%
% of targeted stores refitted	1%	2%	6%

Commercial impact

4G customers (m)	0.4	0.6	0.9
Contract churn (%)	16.9%	16.2%	16.3%
Contract mobile ARPU (GBP)	27.3	26.5	26.7
Average smartphone data usage (MB)	357	417	501

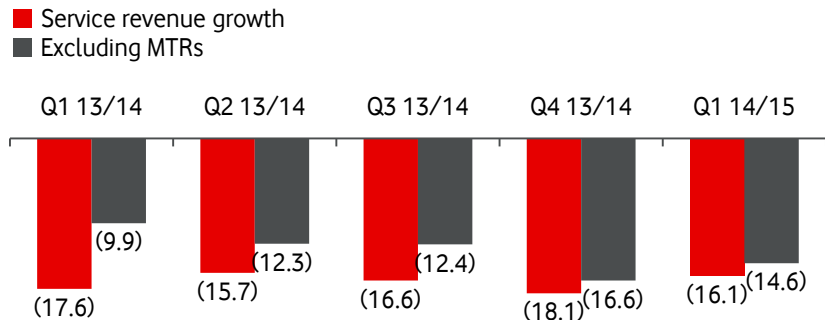
1. Restated to include CWW in organic growth from Q1 13/14 to Q1 14/15

2. Excluding both mobile and fixed termination rates (FTRs) service revenue growth was -2.4% in Q1 14/15 and -2.1% in Q4 13/14



Italy: market remains competitive; enterprise trend encouraging

Service revenue growth (%)¹



- Market dynamics remain unchanged
- Improved revenue trend QoQ due to prepaid price increases
- Improving in enterprise: continued positive net adds, lower churn
- Fixed revenue +1.5%; broadband customers +25k to 1.8m
- Fibre wholesale in 55 cities, self-build commenced

Project Spring KPIs

	Q3 13/14	Q4 13/14	Q1 14/15
Deployment and experience			
4G % outdoor population coverage	18%	35%	48%
% of data sessions >3Mbps	74%	77%	81%
% of dropped calls	-	0.64%	0.63%
% homes reached by owned NGN	0%	0%	0%
% of targeted stores refitted	70%	77%	81%

Commercial impact

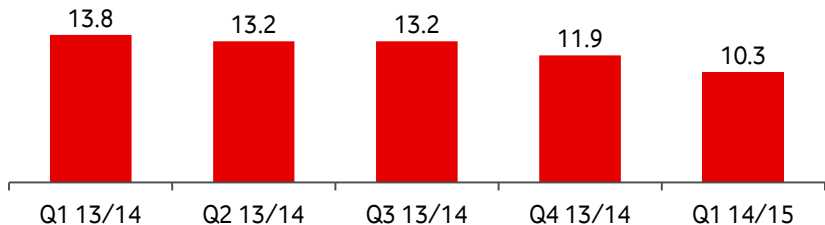
4G customers (m)	0.1	0.2	0.4
Contract churn (%)	23.2%	23.5%	21.2%
Contract mobile ARPU (EUR)	27.9	26.0	25.2
Average smartphone data usage (MB)	545	596	764

1. Q4 13/14 organic service revenue has been restated to include Italy at 100%. Previously reported -18.3% which included Italy at 77%, until 21 February 2014 and then 100% for the rest of the quarter.



India: customer growth, voice pricing and data usage drive revenue

Service revenue growth (%)



- Continued growth: 3.3m net adds, effective prices +2.9%
- Q1 slowdown due to lapping of prior year's voice price rises
- 57m data users (10m on 3G) driving usage up 102%
- 3G roll-out 2,300 sites; on track for 150 new stores this year
- Nationwide M-Pesa coverage with 66k agents. 1.5m registered users (Q4 1.1m)

Project Spring KPIs

	Q3 13/14	Q4 13/14	Q1 14/15
Deployment and experience			
3G % outdoor population coverage ¹	84%	89%	89%
% of data sessions >400kbps	56%	62%	63%
% of dropped calls	-	1.06%	1.04%
% of targeted stores refitted	0%	0%	1%

Commercial impact

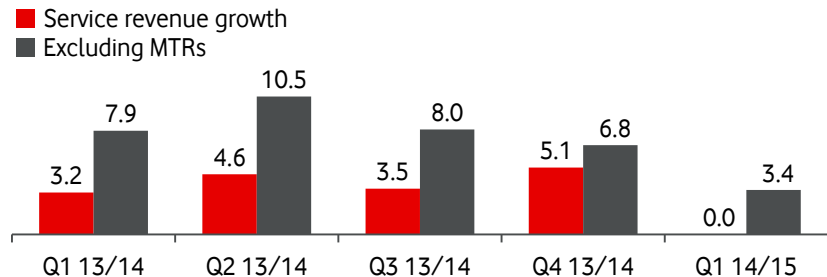
3G customers (m)	5.2	7.0	10.3
Blended customer ARPU (INR)	193	192	193
Average data usage (MB)	222	234	238

1. Targeted urban areas



Vodacom: continued underlying growth driven by data

Vodacom service revenue growth (%)



South Africa

- Service revenue -2.0% (excl. MTRs +2.1%; Q4 +2.6%)
- Increased competition in prepaid segment; targeted promotions in response
- Strong data revenue +18.5%; higher usage +70%
- Neotel acquisition expected to complete during current FY

International

- Service revenue slowed to +8.4%; increased price pressure
- Continued M-Pesa success; 4.8m active users

Project Spring KPIs (South Africa)

	Q3 13/14	Q4 13/14	Q1 14/15
Deployment and experience			
4G % outdoor population coverage	9%	12%	22%
% of data sessions >3Mbps	81%	83%	84%
% of dropped calls	-	0.93%	0.83%
% of targeted stores refitted	18%	27%	39%

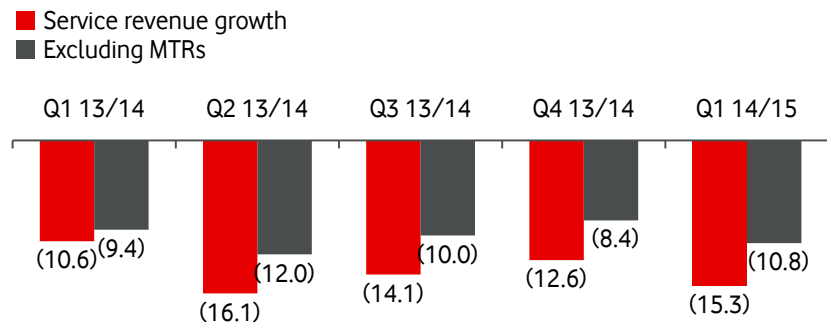
Commercial impact

4G customers (m)	0.2	0.3	0.4
Contract customer ARPU (ZAR)	393	379	372
Average smartphone data usage (MB)	386	405	447



Spain: mobile market remains challenging, expanding in fixed

Service revenue growth (%)



- Mobile: impacted by competition in converged services, shift to low end tariffs and sim-only / mid-tier handsets
- Improving commercial performance: lower contract churn (3.7ppt YoY) and positive NPS trends
- 4G coverage in all provinces and key tourist areas
- Fixed revenue up 7.3%; +48k broadband net adds to 1.1m. 0.8m homes passed today with joint-fibre build
- Ono acquisition completed 23 July

Project Spring KPIs

	Q3 13/14	Q4 13/14	Q1 14/15
Deployment and experience			
4G % outdoor population coverage	31%	48%	58%
% of data sessions >3Mbps	82%	82%	82%
% of dropped calls	-	0.65%	0.65%
% homes reached by owned NGN	24%	24%	25%
% of targeted stores refitted	7%	9%	13%

Commercial impact

4G customers (m)	0.5	0.8	1.1
Contract churn (%)	20.3%	21.9%	19.6%
Contract mobile ARPU (EUR)	25.5	24.6	23.4
Average smartphone data usage (MB)	525	571	577





Vittorio Colao

Group Chief Executive

Summary

- Performance in Europe stabilising quarter on quarter in several markets
- Strong customer growth and data take-up in AMAP
- Continued progress on unified communications strategy
 - Progressing NGN plans in Germany, Italy, Spain, Ireland, Portugal
- KDG and CWW integration on track, Ono completed
- Project Spring; c.25% completed
- Maintaining a strong balance sheet
- Confirm outlook for FY 14/15



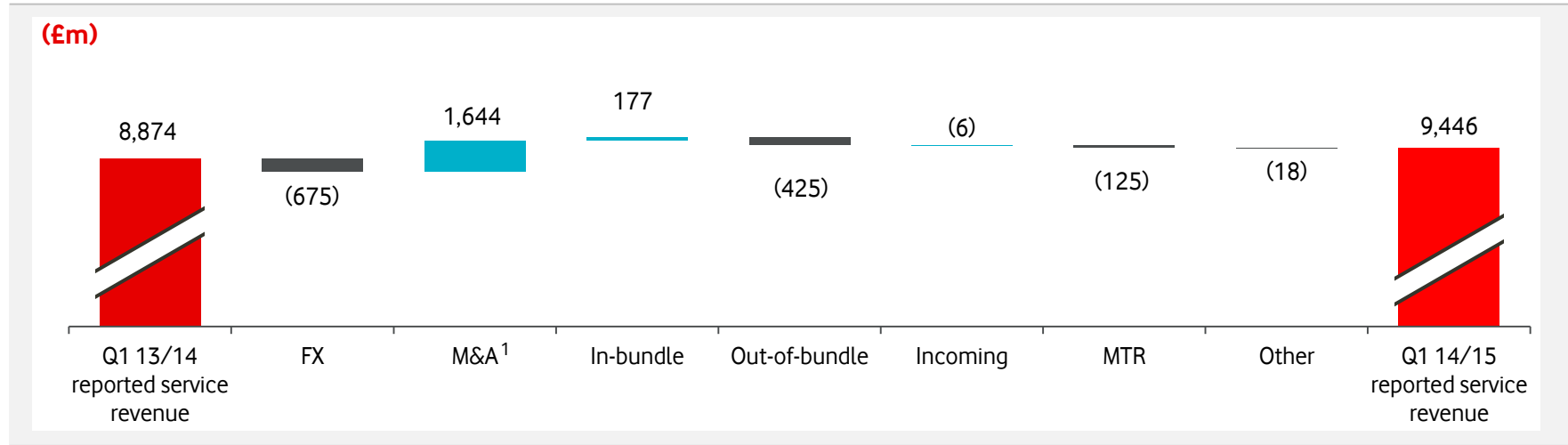
Q&A



Appendix



Service revenue

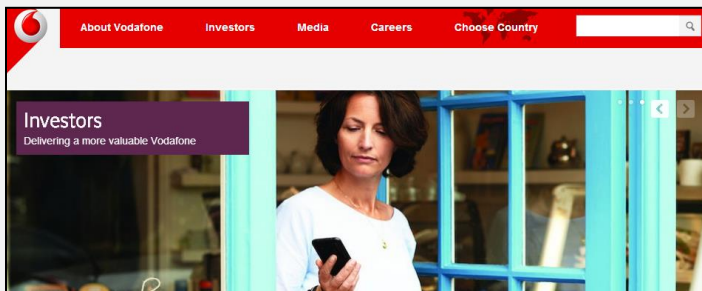


1. Primarily represents adjustments for KDG and Italy



More information

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www.vodafone.com/investor

Upcoming dates

AGM

29 July

Open Office (Tanzania)

25-26 September

Half year results

11 November

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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 may 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 macroeconomic 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, which could require changes to the Group’s pricing models, lead to customer churn and/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 mobile data content and services, or the rapid obsolescence of existing technology; higher than expected costs or capital expenditures; 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; the ability of the Group to integrate new technologies, products and services with existing networks, technologies, products and services; the Group’s ability to generate and grow revenue from both voice and non-voice services and achieve expected cost savings; 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, reduced customer retention, reductions or changes in customer spending and increased pricing pressure; the Group’s ability to expand its spectrum position, win 4G/3G allocations and realise expected synergies and benefits associated with 4G/3G; the Group’s ability to secure the timely delivery of high quality, reliable handsets, network equipment and other key 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 Group’s ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences or other arrangements with third parties, particularly those related to the development of data and internet services; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities, which may have a negative impact on the Group’s financial condition and results of operations; the Group’s ability to integrate acquired business or assets and the imposition of any unfavourable conditions, regulatory or otherwise, on any pending or future acquisitions or dispositions; 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; developments in the Group’s financial condition, earnings and distributable funds and other factors that the Group’s Board of Directors takes into account in determining the level of dividends; the Group’s ability to satisfy working capital requirements through borrowing in the capital markets, bank facilities and operations; changes in foreign exchange rates, including, particularly, the exchange rate of pounds sterling to the euro and the US dollar; changes in the regulatory framework in which the Group operates, including the commencement of legal or regulatory action seeking to regulate the Group’s permitted charging rates; the impact of legal or other proceedings against the Group or other companies in the mobile communications industry; and changes in statutory tax rates and profit mix, the Group’s ability to resolve open tax issues and the timing and amount of any payments in respect of tax liabilities.

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 “Forward-looking statements” and “Principal risk factors and uncertainties” in our annual report for the year ended 31 March 2014. 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 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 document 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.



