

Vodafone Germany Gigabit Investment Plan



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Vodafone Germany: Gigabit Investment Plan

Approx €2bn investment in fibre over the next 4 years...

... to drive attractive incremental growth and returns

1 Giga-Business

- Targeting **100,000** companies in around 2,000 business parks in co-operation with strategic partners
- **€1.4bn-€1.6bn investment**



2 Giga-Municipality

- Partnering with local municipalities to reach around **1m** rural homes
- **€0.2bn-0.4bn investment**



3 Giga-Cable

- Accelerating the upgrade of our cable infrastructure to deliver 1 Gbps across our **12.6m** marketable homes
- **€0.2bn investment**



4 Under-served market:

- <2%¹ of homes have access to Gigabit speeds
- 25%² of broadband connections are <50Mbps
- Fibre demand in enterprise bids doubled YoY



5 Opportunity to gain share:

- Enterprise fixed revenue market share **<15%**
- Accretive to service revenue growth by **1-2pp**
- Attractive incremental EBITDA margins



6 Value accretive investment:

- IRR >20% for Giga-business and Giga-municipality
- Payback of **<4 years** per business park and **<6 years** per municipality

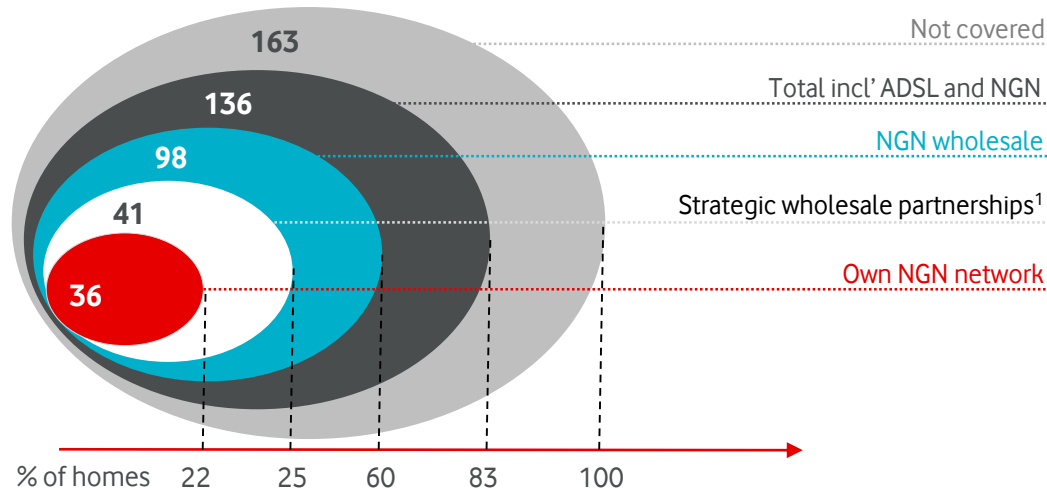


A success-based investment model, with limited execution risk and fast speed to market



Fixed infrastructure strategy: optimisation at attractive economics

Vodafone European homes marketable with fixed broadband (Q1 17/18) (m)



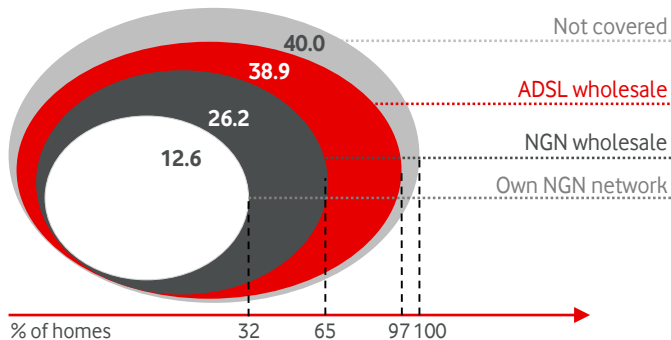
1. Includes Telefonica (selected areas in Spain), Open Fiber (Italy) and Siro (Ireland)



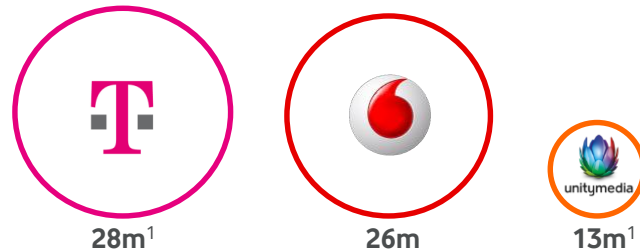
Vodafone Germany: growing demand for high-speed fixed services

Leading fixed scale

Vodafone homes marketable Q1 17/18 (m)

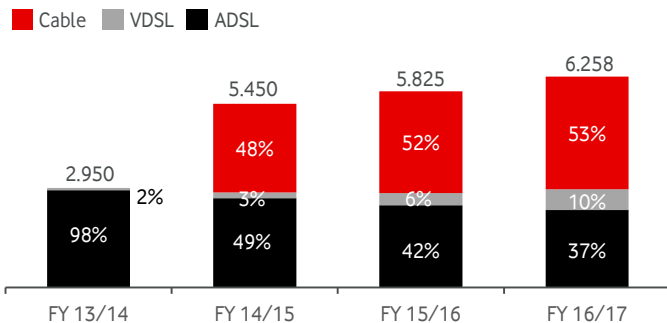


Homes marketable with NGN Q1 17/18 vs. peers¹ (m)

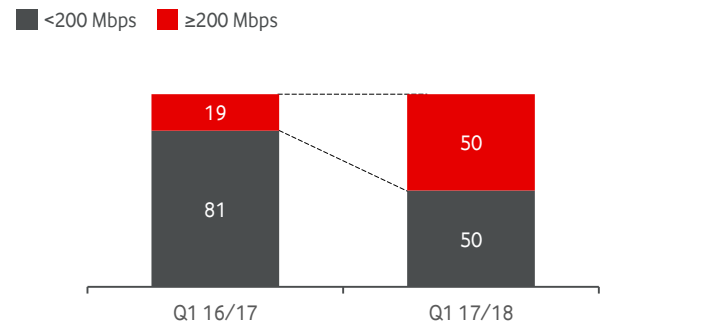


Growing demand for high-speed

Vodafone broadband customers² (m)



Vodafone cable gross adds mix (Q1 17/18) (%)

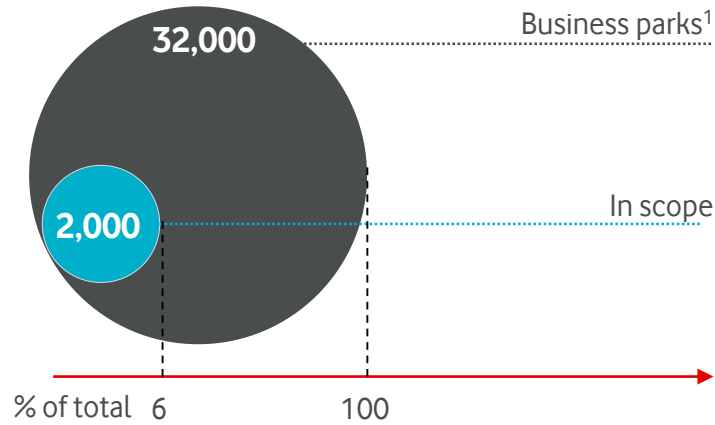


1. Source: company reports, and Vodafone estimates
 2. Includes SoHo customers



Giga-Business: fibre to business parks

German business park opportunity



- Vodafone fixed enterprise market share <15%
- Fibre demand in enterprise bids doubled YoY
- <25% of Vodafone's enterprise customers are converged²

1. Source: German land registry office, Vodafone analysis
2. Excludes Soho customers

Strategic approach

2,000 business parks selected on basis of:

- Revenue potential and existing infrastructure
- Proximity to existing infrastructure to optimize costs for construction and backhaul

KPIs per business park:

- Minimum **40%** penetration required to build
- IRR **>20%**, Payback per park **<4 years**

€1.4-1.6bn
investment



Giga-Business: partnerships built on telecom scale and expertise

Vodafone Germany

Strong market position and assets

- Number 1 challenger in fixed
- Own fixed access network (cable, DSL, fibre)
- Nationwide fixed footprint
- Best-in-class purchasing capability reflecting leading multi-country scale

Vodafone provides the service and owns the customer

Business model

Build out after successful pre-sales (>40%)

Synergies with mobile backhaul

Attractive cash-flow phasing through long-term contract

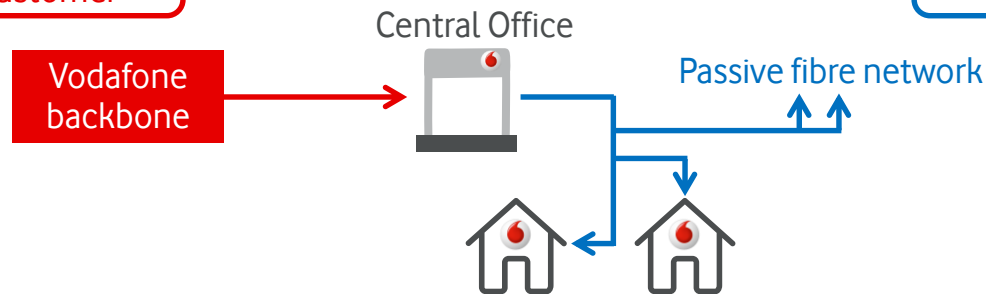
Strategic partner

Deutsche Glasfaser example:

Expertise

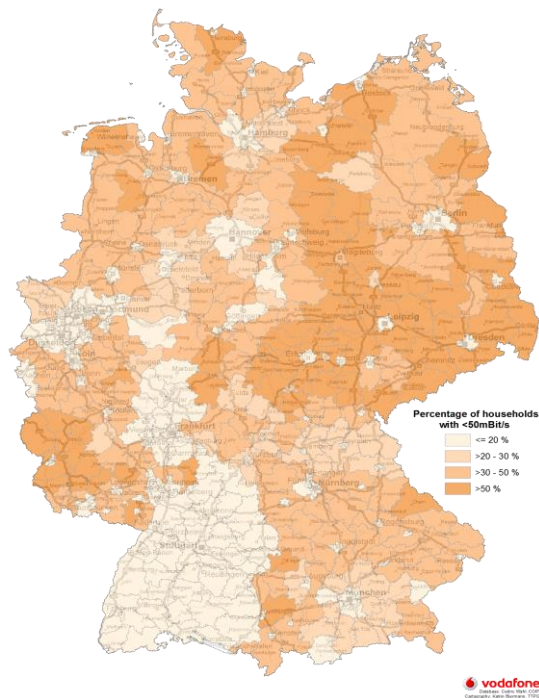
- Specialises in low-cost build out of fibre optic access networks
- Know-how transfer, scaling, speed, and cost effectiveness

Partner builds the passive network



Giga-Municipality: co-investment with local government

% of households with <50 Mbps¹



Opportunity

- ~25% of HH without access to ≥ 50 Mbps¹
- Government expected to increase fibre subsidies
- Municipalities seeking higher speeds
- Rural areas particularly under-served

Strategic approach

Municipality

- Builds and owns passive local access fibre network (after successful pre-sales)

Vodafone

- Builds link from the local access network to our fibre backbone, and installs active equipment
- Pays rental fee per connected household

KPIs:

- Targeting around **1m** households, mostly rural areas
- **33%** minimum penetration per municipality
- IRR **>20%**, Payback **<6 years**

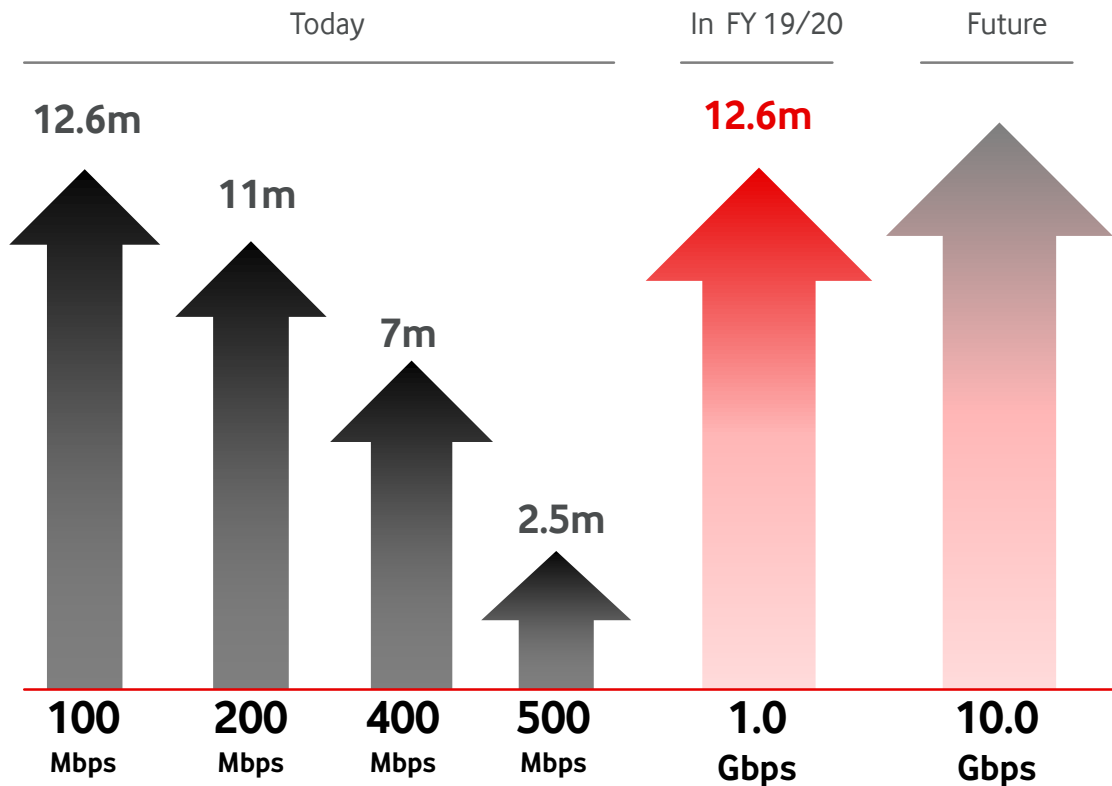
€0.2-0.4bn
investment

1. Vodafone projections based on BMWI Breitbandatlas



Giga-Cable: accelerating the upgrade to 1Gbps

Vodafone household cable coverage and speeds



Opportunity

- Half of new customers choosing ≥ 200 Mbps in Q1 17/18

Strategic approach

- **12.6m** households upgraded to 1Gbps
- 2 year DOCSIS 3.1 roll-out starting 2018; acceleration of original 4 year plan
- In combination with analogue switch off leads to capacity capex savings
- Payback **<4 years**

€0.2bn
investment¹

1. Excludes CPE which will be funded within the existing capex envelope



Financial implications: overall Gigabit Investment Plan

Vodafone Germany

- Incremental accrued capex of approximately €2bn over four years (FY 18/19 to FY 21/22)¹
- Accretive to mid-term service revenue growth by 1-2pp, from the second full year of the plan (FY 19/20)
- Incremental EBITDA margins materially higher than the current average²
- Giga-business up-front cash outflows will be around one-third of accrued capital expenditure, with the balance paid over time

Vodafone Group

- Annual drag on Group cash-flows of €100-200m during the initial years of the plan
- No change to medium-term target of 'mid-teens capex /sales', excluding Gigabit Investment Plan capex which will be disclosed separately going forwards together with related KPIs

Success-based investment to drive attractive incremental growth and returns

1. In FY16/17 Vodafone Germany's capital expenditure was €1.7bn (15.8% of revenue) and represented 22% of the Group's total capex

2. In FY 16/17 Vodafone Germany's EBITDA margin was 34.1%





Appendix



Germany: total market and fixed market overview¹

Revenue

(€bn)

FY 16/17

Fixed revenue share

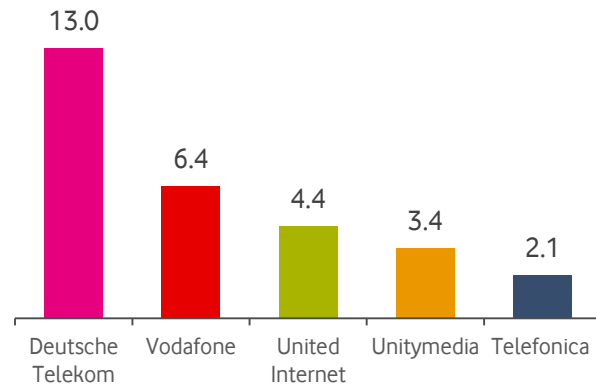
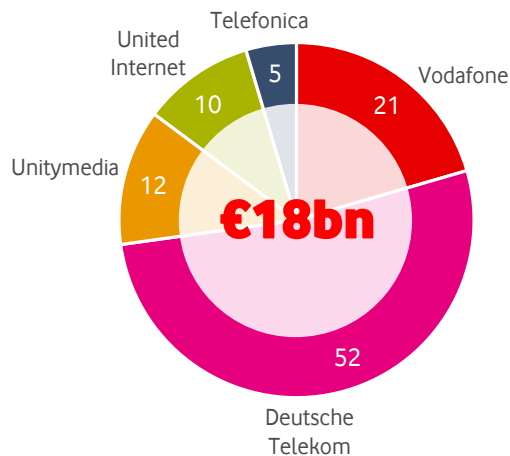
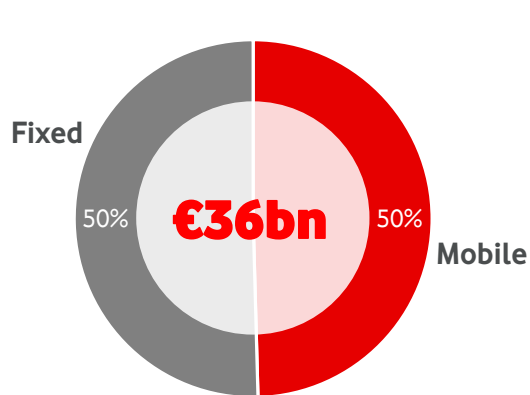
(%)

FY 16/17

Fixed broadband customers

(m)

Q1 17/18



1. Source: company reports and Vodafone estimates

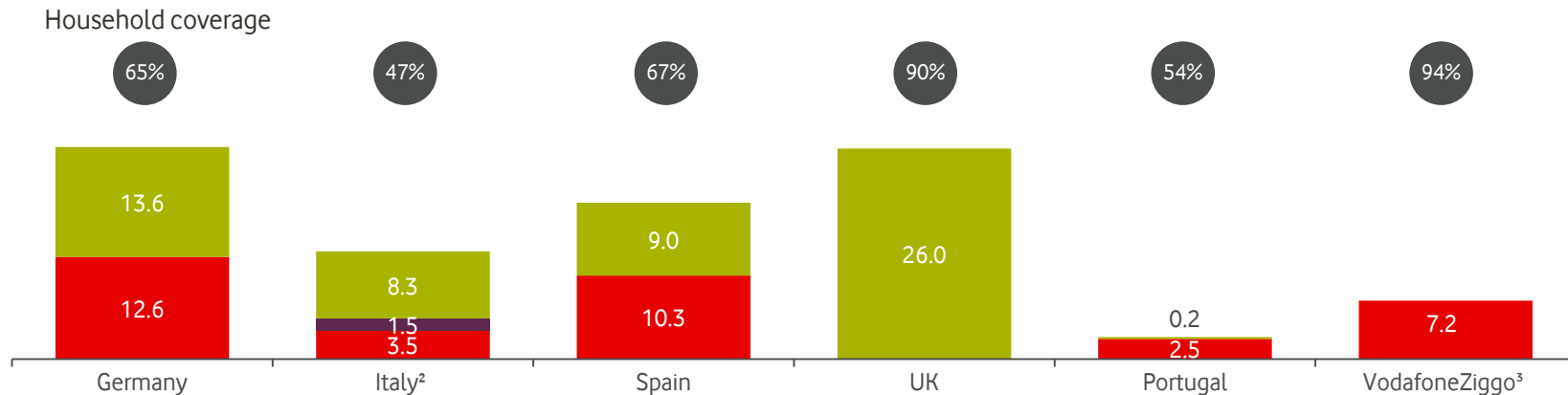


Vodafone NGN reach

European homes marketable with NGN (Q1 17/18)¹

(m)

Wholesale Open Fiber Owned



98m marketable including wholesale
60% coverage



36m marketable on-net
22% coverage



1. Excludes 3.6 m wholesale NGN homes marketable in Greece and Ireland
2. Open Fiber has 1.5m homes marketable / 1.7m homes passed
3. VodafoneZiggo as at Q4 16/17



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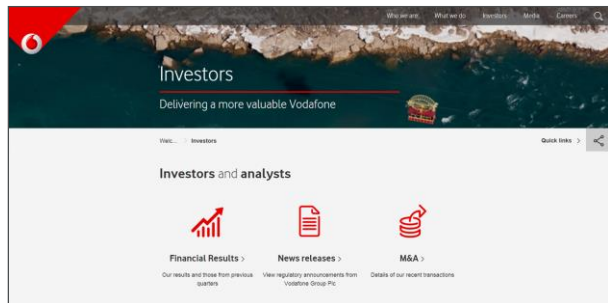
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Sep

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19-20 Sep

Half-year results

14 Nov

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