

Vodafone Group Plc Trading update

For the quarter ended 31 December 2016



2 February 2017

Connected by  **vodafone**



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Commercial review

Vittorio Colao
Group Chief Executive

Q3 16/17 highlights

Financial Service revenue

€12.3bn

Group +1.7%

€8.1bn

Europe: +0.7%
**Sustained commercial
performance**

€4.0bn

AMAP: +3.9%
India slowdown



Growth engines

**4G driving
data volumes**
+53%

**Enterprise
outperformance**
revenue +3.3%

**Record broadband
net adds**
+417k



Customer experience

Consumer NPS
Co/leader
in 18/21 markets

**Co/best data
network** 15/21 markets

**Largest EU NGN
footprint**
90m homes passed¹

All growth rates shown in this document are organic unless otherwise stated with Vodafone Netherlands excluded from organic growth from Q3 16/17

1. Including VodafoneZiggo

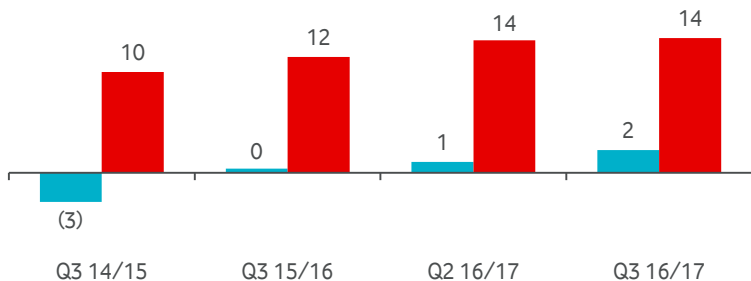


Commercial momentum

Customer experience

Consumer NPS¹ (points)

- Gap to next best competitor
- Gap to third

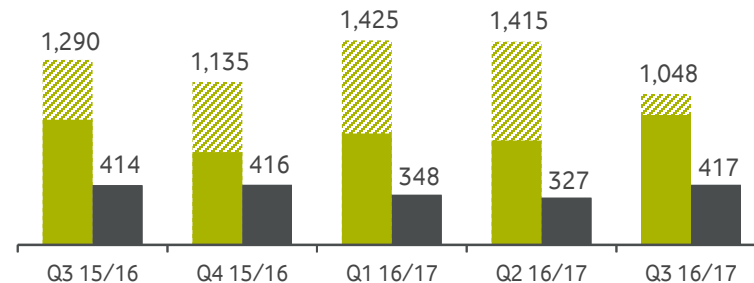


- YoY improvement in NPS points in 17/21 markets
- Gap to competitors improving

Growing customer base

Customer net adds (000s)²

- Mobile contract
- India
- Fixed broadband



- Mobile impacted by India
- Record fixed net adds, led by Europe NGN +430k

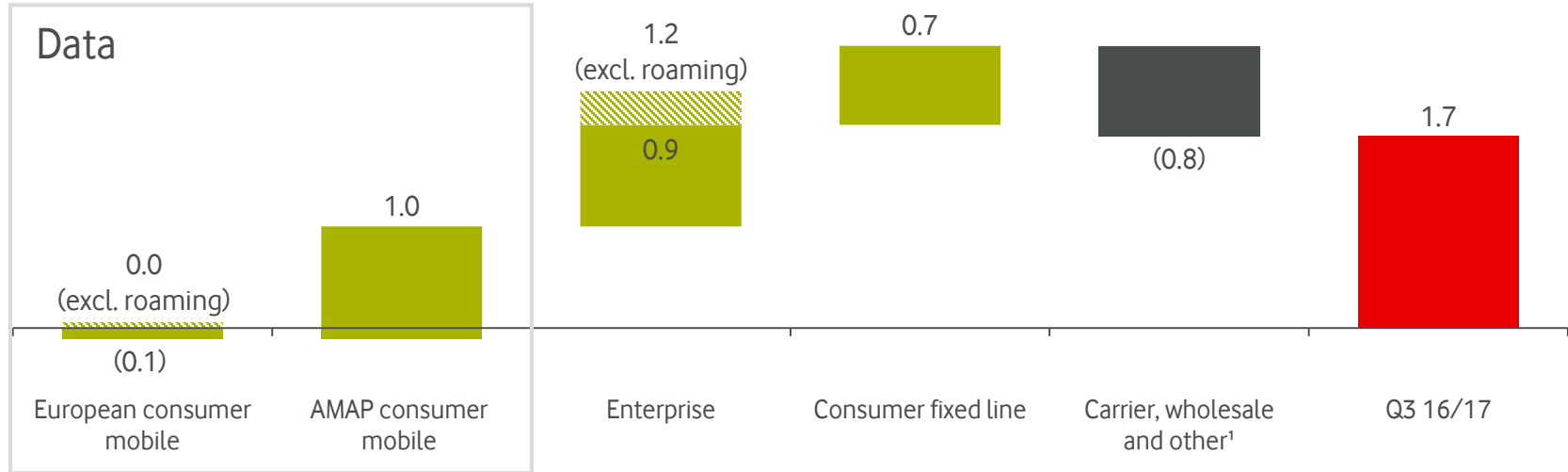
1. Gap to next best based on 21 markets, gap to 3rd based on 20 markets and represents the simple average of the difference in Consumer NPS between Vodafone and the 3rd ranking competitor. In markets where Vodafone is the 3rd ranking competitor the negative difference between Vodafone and the 2nd ranking competitor is used.

2. Mobile contract additions in Q3 16/17 excludes a 125,000 impact in the UK following a one-off customer base adjustment, reported +923,000. All net adds excludes Vodafone Netherlands in Q3 16/17



All growth engines contributing

Q3 16/17 service revenue growth contribution (pp)



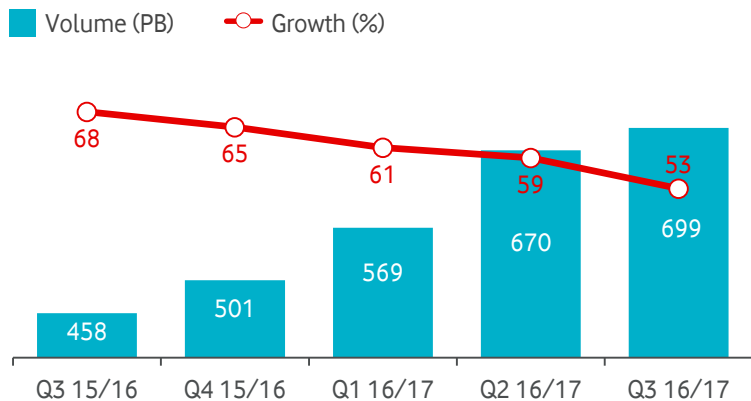
- Delivering growth from branded retail customers, despite regulatory pressures
- Lower revenue reflects strategic choices - wholesale and low margin carrier

1. Other includes mobile and fixed wholesale, common functions and eliminations



Growth engines: data take-up

Mobile data traffic rising due to 4G

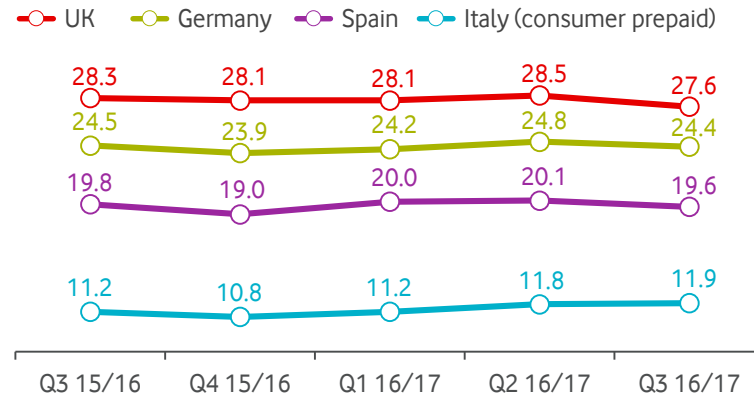


- Data growth slowing due to India; Europe /other AMAP still strong
- 4G base **65m**¹, +32m YoY
- Europe average data usage +51% to **1.5GB**²

1. Excludes Vodafone Netherlands in Q3 16/17
 2. Monthly smartphone usage
 3. Based on 41m European 4G customers as a share of active data users

Stabilising European ARPU

Consumer contract (local currency)



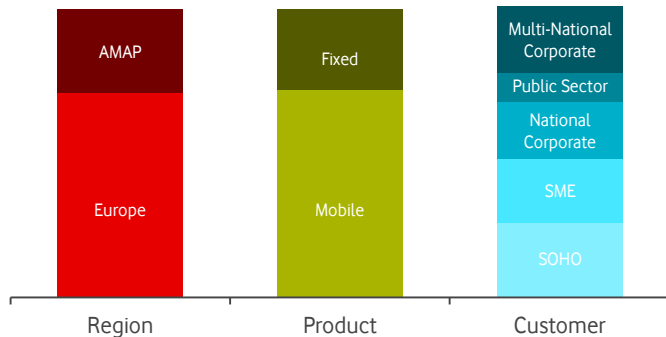
- Continued benefit from more-for-more actions
- Continued opportunity: 4G penetration only **60%** in Europe³



Growth engines: **enterprise**

Diversified revenue streams

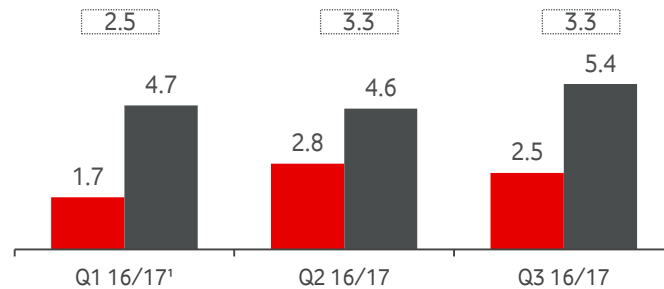
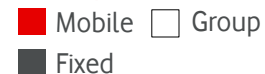
Service revenue splits



- **28%** of Group service revenue
- NPS leader in 15/20 markets
- Leading network: IP-VPN to **73** countries, **49m** IoT connections

Growth in fixed driving outperformance

Enterprise service revenue growth (%)



- Outperformance due to fixed (IP-VPN +13%) and AMAP
- Mobile: ARPU decline easing, customers growing
- **Growth drivers:** IoT +19%, Cloud & hosting +9%, VGE +2%

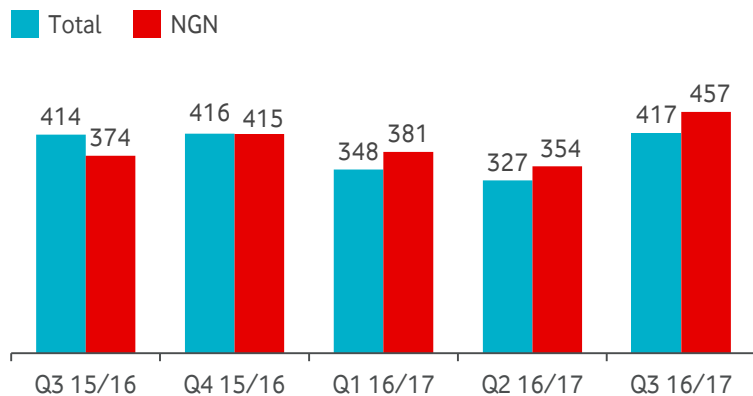
1. Q1 16/17 service revenue growth restated to take into account the reallocation in Germany of certain customers from Enterprise SOHO to consumer



Growth engines: **fixed momentum**

Record net adds

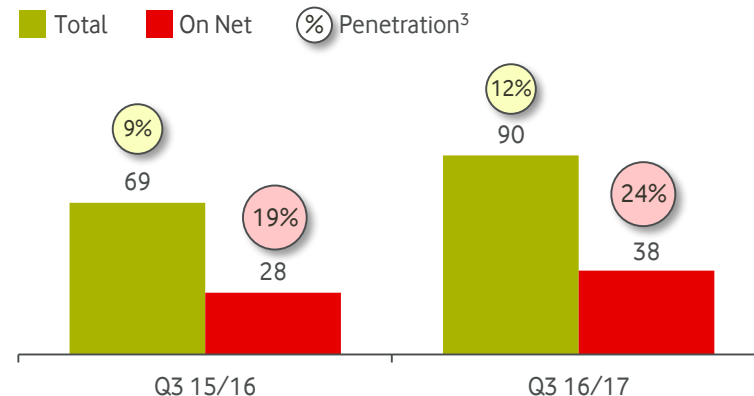
Group fixed broadband net adds (000s)¹



- Fixed broadband base now **14.3m**, of which 7.4m NGN
- **9.7m** TV customers (+104k)
- 3.5m converged customers (+189k)

Largest NGN footprint in Europe

European NGN homes reached (m)²



- **58%** NGN coverage in Europe (incl. VodafoneZiggo)², matching incumbents

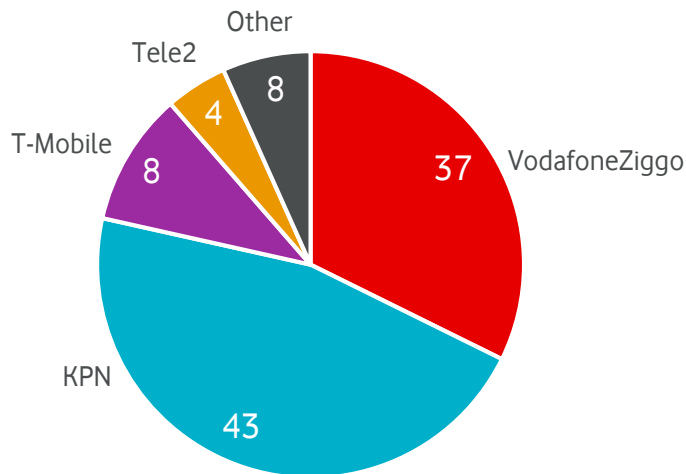
1. Excludes Vodafone Netherlands in Q3 16/17
2. Includes VodafoneZiggo, 7.1m households passed and 3.1m broadband customers as of Q2 16/17
3. Number of customers divided by homes passed



VodafoneZiggo: JV creates a fully-converged operator

A strong integrated player

Total communications revenue market share (%)¹



- Nationwide cable and 4G coverage
- €4bn revenue, 10m fixed RGUs and 5m mobile²

Operational

- » Board and management in place

Commercial

- » Co-branded convergence proposition in Spring
- » Customer targeting initiatives executed

Financial

- » Net €0.6bn closing payment received
- » €3.5bn NPV synergy target reconfirmed³

1. Source: Vodafone estimates as at September 2016
2. See 31 December 2016 press release at www.vodafone.com for more details
3. Lower cost and capex synergy run rate offset by higher profits post sale of Vodafone Thuis





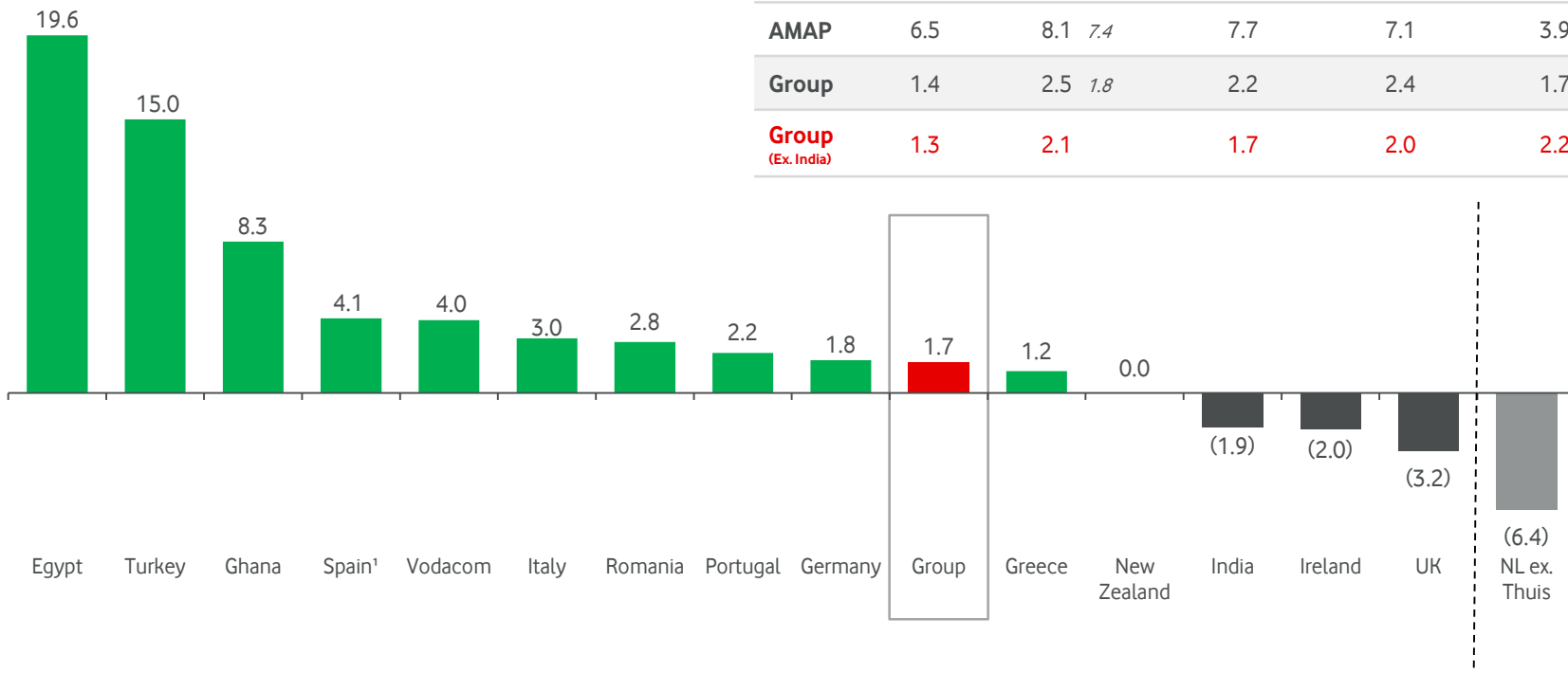
Operational review

Nick Read
Group Chief Financial Officer

Continued growth in Europe, slowdown in India

Q3 16/17 organic service revenue (%)

	Q3 15/16	Q4 15/16 ²	Q1 16/17	Q2 16/17	Q3 16/17
Europe	(0.6)	0.5 <i>(0.3)</i>	0.3	1.0	0.7
AMAP	6.5	8.1 <i>7.4</i>	7.7	7.1	3.9
Group	1.4	2.5 <i>1.8</i>	2.2	2.4	1.7
Group (Ex. India)	1.3	2.1	1.7	2.0	2.2



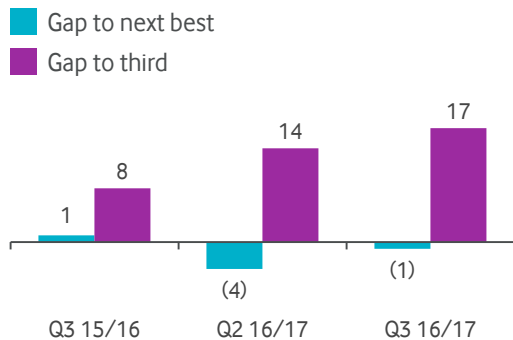
1. Excluding impact of handset financing
2. Figures in italics for Q4 15/16 represent underlying growth excluding leap year benefits and accounting changes



Germany: steady underlying growth

Customer experience

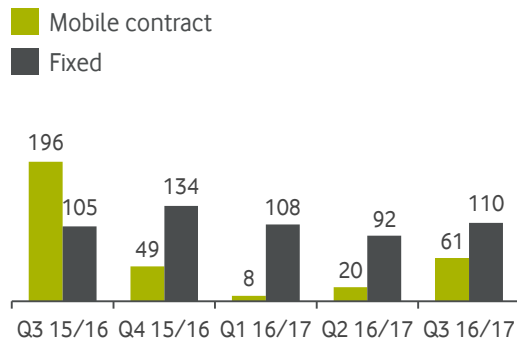
Consumer NPS (points)



- **High network quality ranking:** P3 'connect' close #2, Chip test joint first
- 400Mbps NGN passing >6m homes

KPIs

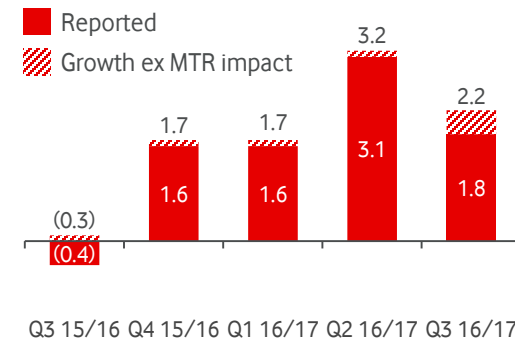
Customer net adds (000s)



- Continued focus on direct channels
- Solid in fixed: DSL net adds +33k (LY +9k); cable +77k

Financial results

Service revenue growth (%)



- Growth slowed due to MTR cuts¹ and MVNOs
- Mobile 0.0%, Fixed **+4.8%**²

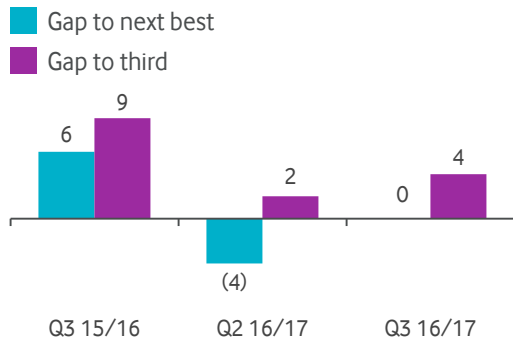
1. The German regulator reduced mobile termination rates in early December by 34%
 2. Fixed service revenue growth was +3.1% (Q2 +4.4%) excluding one-off from reclassification of CPE revenue from non-service revenue to service revenue



Italy: growing in a promotional market

Customer experience

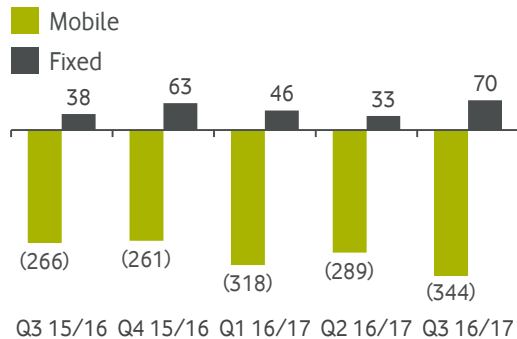
Consumer NPS (points)



- Leading quality: **network NPS #1**, 4G coverage **97%**
- **4.4m** own NGN homes passed, incl. Enel open fibre. 1 Gbps in 4 cities

KPIs

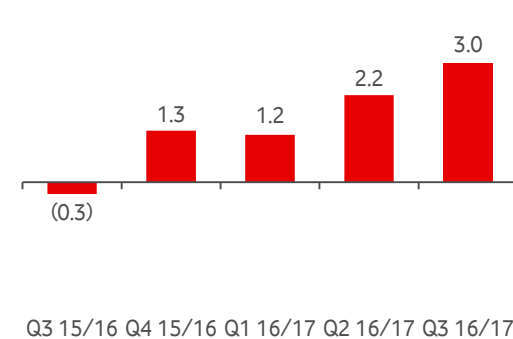
Customer net adds (000s)



- Mobile **active prepaid base stable** despite intense promotional activity
- Fixed: **record net adds** driven by fibre (+335k over the year to 0.5m)

Financials

Service revenue growth (%)



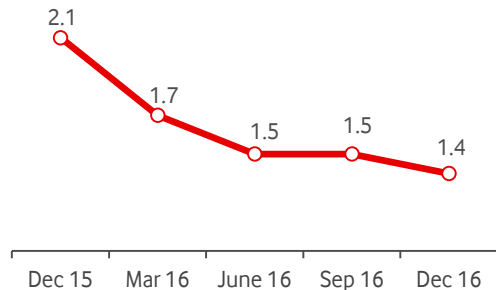
- Mobile: **+1.4%**; consumer prepaid ARPU +6.7%, tariff plan changes and lapping 'Exclusive' offers
- Fixed: **+11.9%**; customer growth and higher ARPU



UK: operational progress, increased enterprise competition

Customer experience

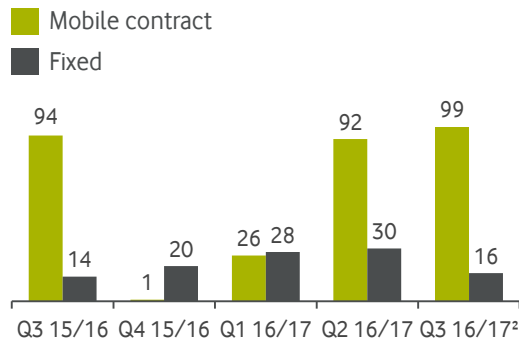
Average monthly call volumes (m)



- Steady improvement in customer service
- **97% 4G coverage¹**
- Leading network: **co-best nationwide, #1 voice nationwide, #1 in London**

KPIs

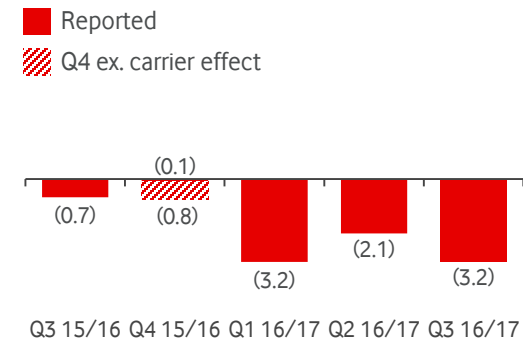
Customer net adds (000s)



- Mobile growth; with continued sim-only adoption
- Consumer broadband base **+32k** to 129k

Financials

Service revenue growth (%)



- Mobile -3.9%; price competition in enterprise, MVNO losses and roaming
- Fixed -0.9%; loss of two key enterprise accounts in prior periods

1. Based on Ofcom definition, Vodafone definition 94%.

2. Mobile contract additions in Q3 16/17 excludes the impact of a one-off customer base adjustment which reduced the base by 125,000, reported -26,000

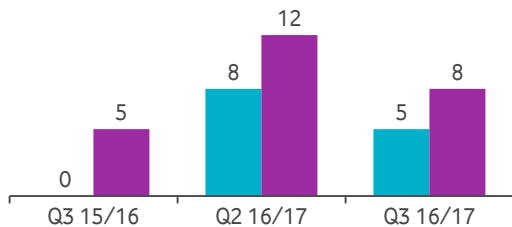


Spain: strong momentum

Customer experience

Consumer NPS (points)

- Gap to next best
- Gap to third

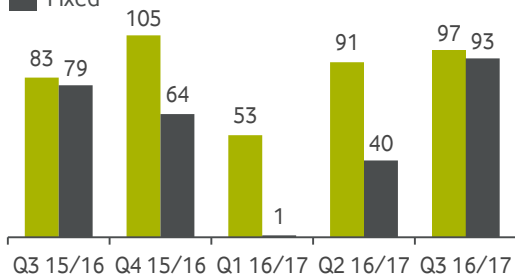


- **92%** 4G coverage. P3 ranked **best overall network**
- 15.8m NGN homes passed, **10.1m** on-net

KPIs

Customer net adds (000s)

- Mobile contract
- Fixed

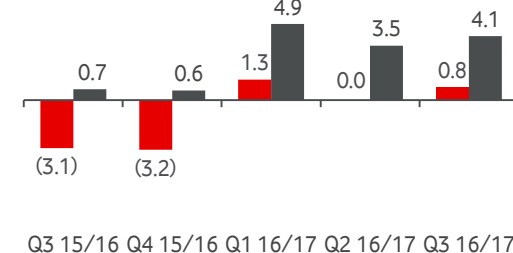


- **Record fixed net adds**
- +115k fibre net adds to **2.2m**
- Vodafone One **2.1m** users

Financials

Service revenue growth (%)

- Reported
- Ex. handset financing



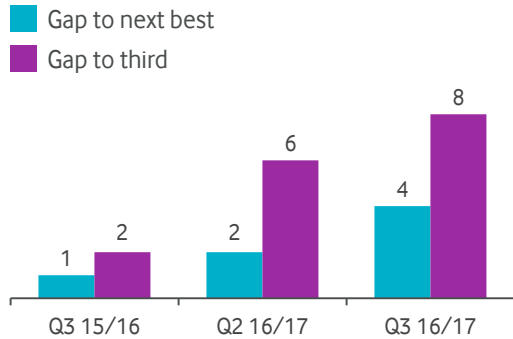
- **Sustained growth:** M4M offers and customer growth in mobile and fixed



India: increasing competitive pressures

Customer experience

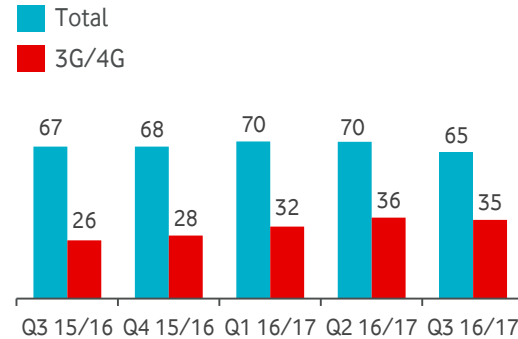
Consumer NPS (points)



- Leading network, **NPS #1**
- Investment focus on key circles
- 4G now in 17 circles, 94% of data revenue

Usage impacted by competition

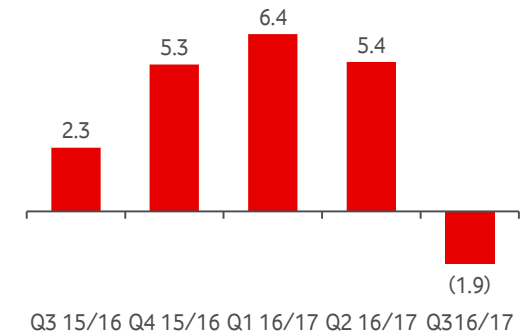
Data users (m)



- Average data usage and outgoing voice slowing, as customers use 'free' service
- Effective targeted responses:
 - retaining high value customers
 - upselling mid-end to 3G/4G
 - attractive offers for low-end, leading to customer and usage share gains

Financial results

Service revenue growth (%)



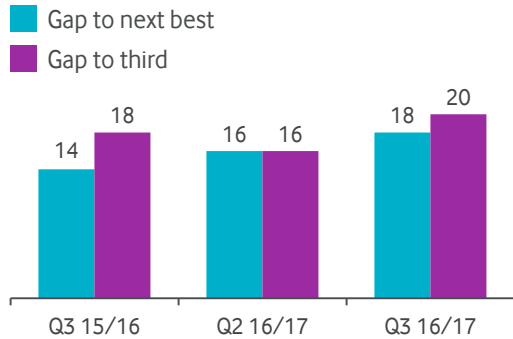
- Data revenue +0.6%; prices -11.0%
- Voice revenue -3.0%; prices -4.4%



Vodacom: strong growth continues leveraging leading network

Customer experience

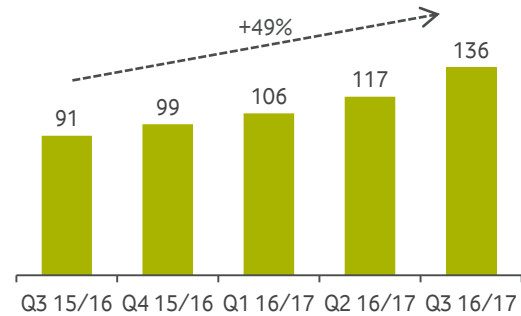
South Africa consumer NPS (points)



- **Network leader**; #1 on 4G download speeds and least dropped calls; 4G coverage 70%
- 5.5m 4G users, +1.3m

KPIs

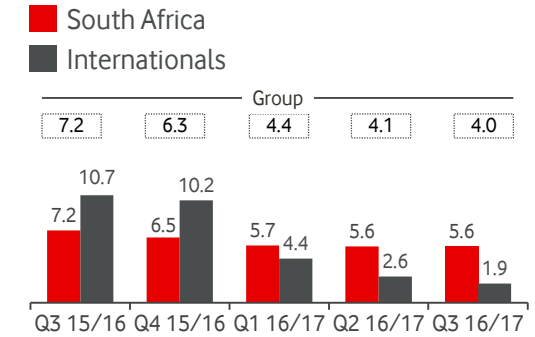
South Africa data bundles sold (m)



- Strong summer campaign
- Data: users +5%¹, effective price -15%, traffic +45%
- Customers **+7.2%**; low contract churn

Financials

Vodacom service revenue growth (%)



- SA: data revenue **+22%**, Enterprise **+15%**
- Intl's: ongoing customer registration pressures

1. Active data customers have been restated to exclude customers with free allocated data bundles not used



Summary

- Solid commercial momentum built on NPS leadership and high network quality
- Overall performance in Europe and Africa remains robust led by growth drivers – data, enterprise and fixed
- India remains challenging; strategic and commercial actions underway

Outlook

- Continue to expect to meet full year guidance for free cash flow, with EBITDA at the lower end of the range



Q&A





Appendix



Customer experience and commercial KPIs

Europe

	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17	Q3 16/17
4G customers (m)	28.1	33.4	36.0	39.3	41.4 ¹
Contract churn (%)	16.7%	16.1%	15.3%	15.5%	16.7% ¹
4G % outdoor population coverage	84%	87%	89%	90%	91%
% of data sessions >3Mbps	90%	91%	91%	90%	91%
% of dropped calls	0.50%	0.46%	0.47%	0.47%	0.40%
Call setup success	99.8%	99.9%	99.9%	99.9%	99.9%

AMAP

	Q3 15/16	Q4 15/16	Q1 16/17	Q2 16/17	Q3 16/17
4G customers (m)	6.7	13.4	16.5	19.6	23.2 ¹
Contract churn (%)	20.9%	20.5%	18.2%	18.0%	20.1% ¹
3G/4G outdoor coverage (excluding India)	83%	85%	85%	85%	86%
% of dropped calls	0.93%	0.86%	0.70% ²	0.68%	0.63%
Call setup success	99.4%	99.3%	99.5%	99.5%	99.6%

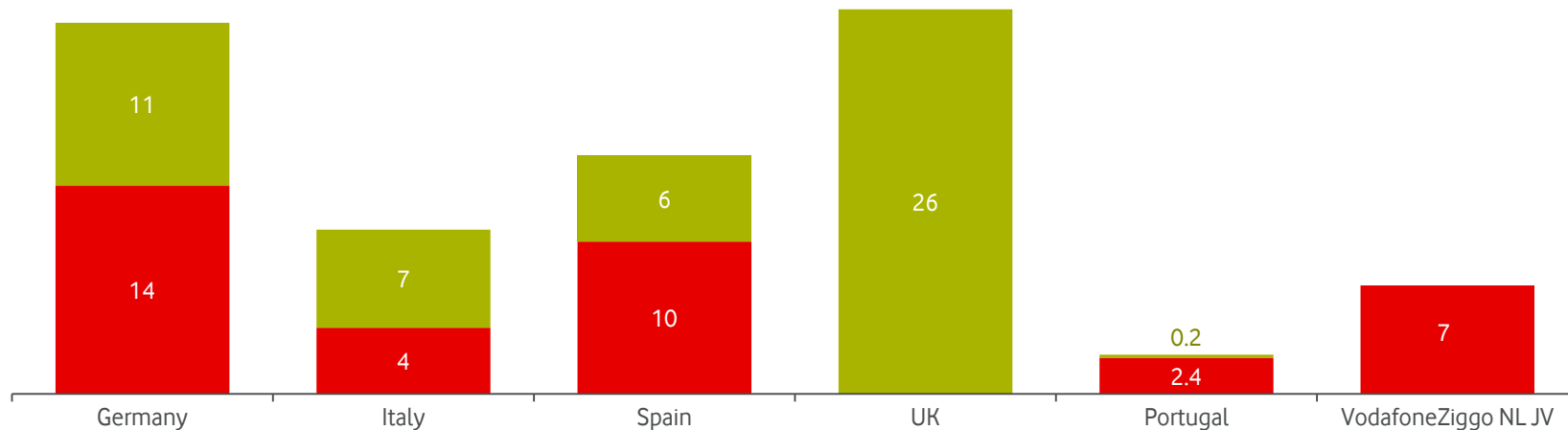
1. Excludes Vodafone Netherlands in Q3 16/17 only
2. Improvement partially reflects change in calculation methodology



European homes reached with NGN¹

(millions)

Wholesale NGN
Own NGN



Population coverage

61%

38%

72%

88%








53%

94%

1. Excludes three million wholesale NGN homes passed in Greece and Ireland



Other key markets – Q3 16/17

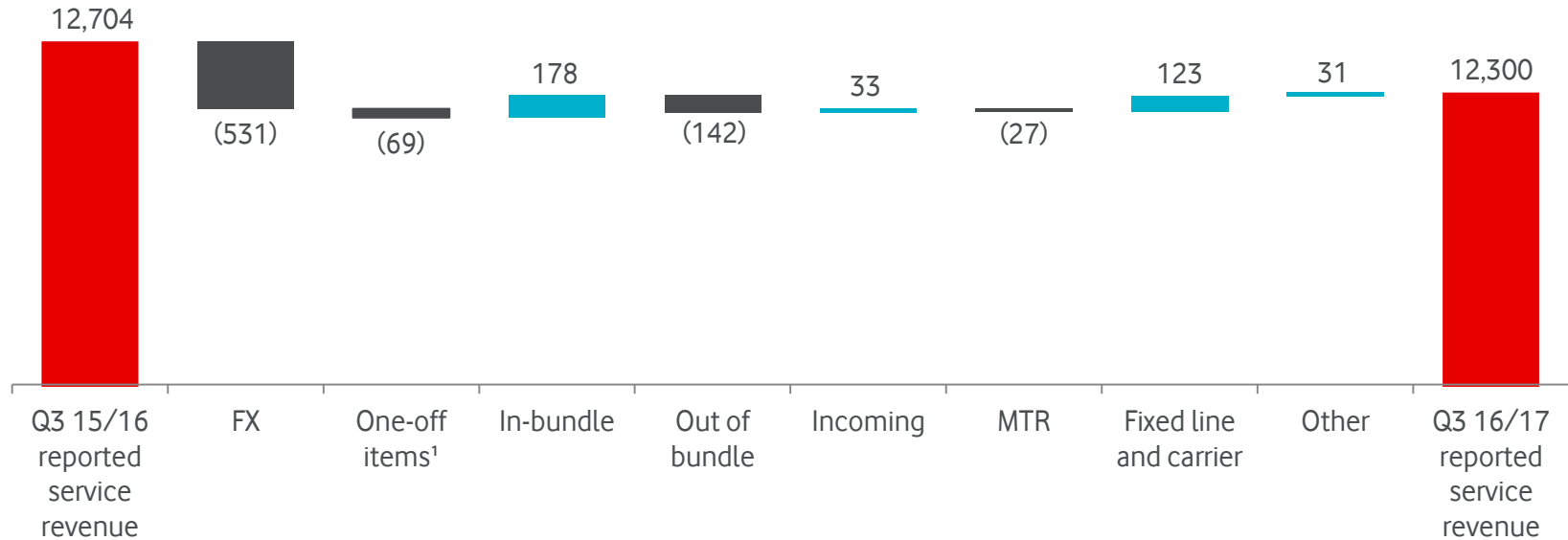
Market	Organic service revenue growth (%)	Mobile customers (000s)		Fixed broadband customers (000s)	
		Net adds	Closing customers	Net adds	Closing customers
 Portugal	2.2%	(53)	4,778	25	518
 Greece	1.2%	(473)	5,396	22	608
 Ireland	(2%) 1.4% ex. MTR	9	1,974	1	258
 Romania	2.8%	80	8,763	1	62
 Turkey	15.0%	59	22,640	59	524
 Egypt	19.6%	(44)	39,622	27	267
 Netherlands ¹	(6.4%)	(92)	4,871	n/a	n/a

1. Represents local currency service revenue growth excluding Vodafone Thuis and closing customer base on December 31st 2016. Vodafone Netherlands is excluded from organic Group service revenue growth and customer metrics.



Service revenue bridge

(€ millions)



1. Excludes reporting change of certain dealer commissions in India




Voice MTR impact

	Q3 16/17		Q3 15/16	
	€m	pp	€m	pp
Europe				
Service revenue	(23)	(0.3)	(21)	(0.3)
AMAP				
Service revenue	(4)	(0.1)	(61)	(1.6)
Group				
Service revenue	(27)	(0.2)	(82)	(0.7)



FY 16/17 interim dividend under new reporting policy

	Dividend policy	FY16/17 interim dividend		
Policy	 Intend to grow full year dividends per share in € annually	YoY growth +1.9%  €c4.74¹		
Payment exchange rate	Average of the five business days in the week prior to payment	 €/€: 1	 €/£: 1.17049	 €/\$: 1.07235
		Average payment exchange rate 23 -27 Jan 2017		
Payment	3 February 2017	€c4.74 per ordinary share	4.05p per ordinary share	USc49.3 per ADS ²

1. €c4.74 is calculated on the following basis: FY 15/16 interim dividend (3.68 pence) multiplied by 31 March 2016 exchange rate (€:£ 1.2647) and increased by 1.9%
2. Net rate payable per American Depository Share after deducting USc 15 dividend charge



Forward-looking statements

This presentation, along with any oral statements made in connection therewith, 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, but are not limited to, statements with respect to: expectations regarding the Group’s financial condition or results of operations; expectations for the Group’s future performance generally, including growth and capital expenditure; expectations regarding the Group’s operating environment and market conditions and trends, including customer usage, competitive position and macroeconomic pressures, price trends and opportunities in specific geographic markets; intentions and expectations regarding the development, launch and expansion of products, services and technologies, either introduced by Vodafone or by Vodafone in conjunction with third parties or by third parties independently; expectations regarding free cash flow and foreign exchange rate movements; expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses, including VodafoneZiggo; expectations regarding MTR rates in the jurisdictions in which Vodafone operates; expectations regarding Vodafone India; the outcome and impact of regulatory and legal proceedings involving Vodafone and of scheduled or potential legislative and regulatory changes, including approvals, reviews and consultations.

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”, “prepares” or “targets” (including in their negative form or other variations). 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: general economic and political conditions of the jurisdictions in which the Group operates and changes to the associated legal, regulatory and tax environments; increased competition; levels of investment in network capacity and the Group’s ability to deploy 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 expectations; 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; 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

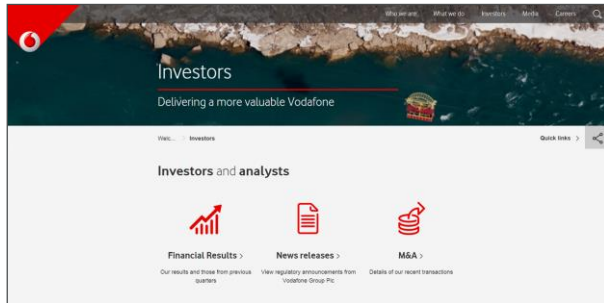
customer retention, reductions or changes in customer spending and increased pricing pressure; the Group’s ability to expand its spectrum position, win 3G and 4G allocations and realise expected synergies and benefits associated with 3G and 4G; the Group’s ability to secure the timely delivery of high 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; the Group’s ability to realise expected benefits from acquisitions, partnerships, joint ventures, franchises, brand licences, 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 business 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; a developments in the Group’s financial condition, earnings and distributable funds and other factors that the Board takes into account in determining the level of dividends; the Group’s ability to satisfy working capital requirements; changes in foreign exchange rates; changes in the regulatory framework in which the Group operates; the impact of legal or other proceedings against the Group or other companies in the communications industry and 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 “Our principal risks” in the Group’s annual report for the financial year ended 31 March 2016. 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

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www.vodafone.com/investor

2017 upcoming dates

Prelim results
16 May

Q1 results
21 July

AGM
28 July

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

