

# Europe

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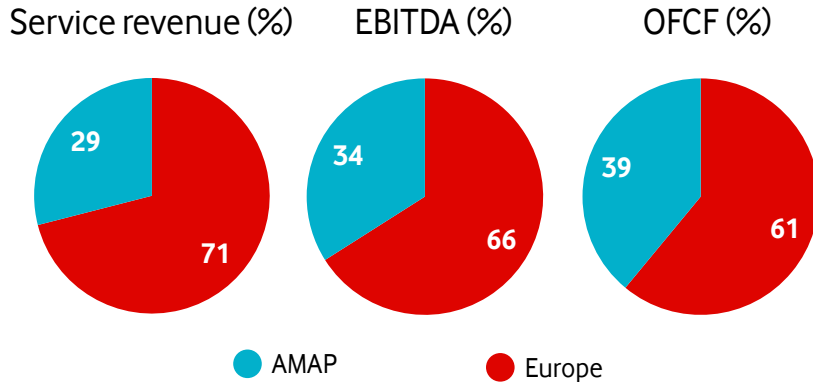
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# Vodafone Europe region overview

## Europe: contribution to Group (H1 13/14)



## Structurally well positioned

- Market share No.1 or 2 in 9 of 12 markets
- Best/co-best network for data in 10 of 14 markets
- Consumer NPS leader in 8 of 14 markets
- 7.5m Vodafone Red customers

## Market under pressure

- MTR/roaming price cuts
- Price competition; no frills/MVNOs
- Weak economies

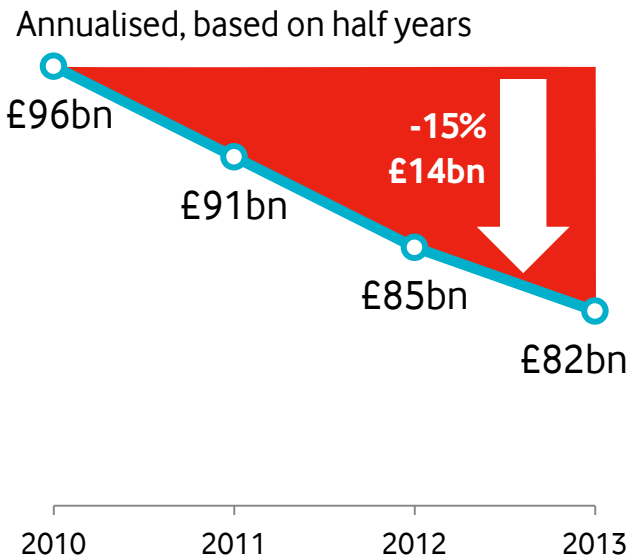
## Market stabilisation expected

- Less regulatory price pressure
- Improving macro environment
- Market consolidation, price/quality focus



# Regulation has driven the majority of revenue decline

## European mobile market service revenue Vodafone footprint



**1** MTR<sup>1</sup> ~65% impact  
MTR decline

**2** Roaming<sup>1</sup> ~10% impact  
Rate cuts

**3** Competition/other ~25% impact  
Price wars, MVNO impact

Analysis Mason/Vodafone analysis

1. MTR and roaming impact is not at constant usage basis

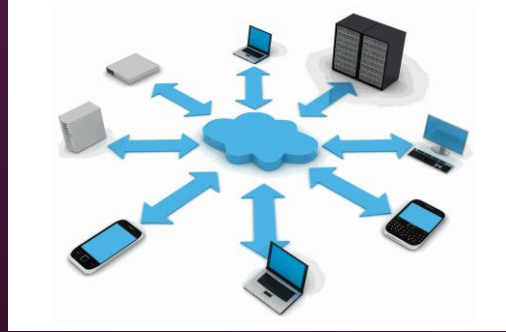


# Strategic priorities for Europe

## Differentiation



## Unified communications



## Cost reduction



**Returning to growth**



# Differentiation in Europe – accelerated by Spring

Differentiation levers

Consumer

Enterprise

Accelerate through  
Project Spring

**1 Always best connected**

- Enhance network performance, perception (publicity)

- IP-VPN

**2 Unmatched customer experience**

- Retail redesign, increase direct distribution
- Standardise IT/processes

- Follow MNCs
- Standardise IT/processes

**3 Integrated worry-free solutions**

- Vodafone Red, family plans, roaming

- Vodafone One Net, VOGÉ<sup>1</sup>, Hosting & Cloud, M2M

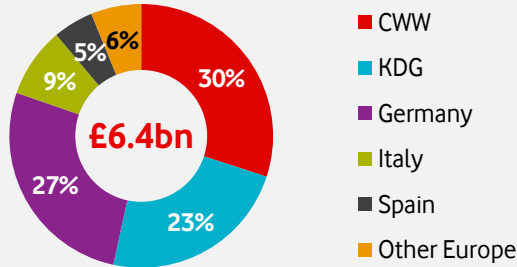
Additional capex in Europe

- Mobile £3bn perfect voice and best 4G
- Fixed: £0.6bn extend fibre build, targeted xDSL expansion
- Retail £0.3bn retail enhancement



# Unified communications: significant opportunities

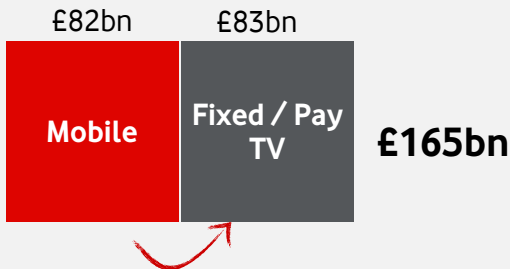
## Vodafone Europe pro forma fixed revenue (FY 12/13)<sup>1</sup>



## Significant synergies

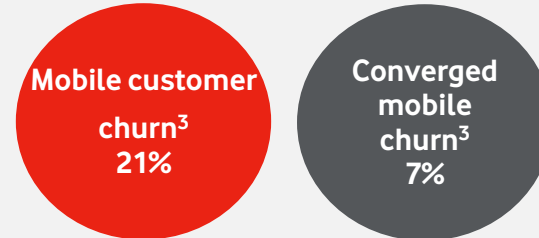
- CWW: cash flow synergies, NPV ~£1.3bn
- KDG: cost & capex synergies, NPV >£3bn; revenue synergies >€1.5bn

## Doubles addressable market<sup>2</sup>



## Defends core mobile business

- Low convergent churn



1. Assumes full integration of Kabel Deutschland  
2. Vodafone European footprint<sup>1</sup> 2012. Mobile and fixed markets include Germany, UK, Italy, Spain, Netherlands, Portugal, Greece, Romania, Czech Republic, Hungary, Turkey and Ireland; Pay TV markets include Germany, UK, Italy, Spain, Netherlands, Romania, Czech Republic, Hungary and Ireland; Source: IDC.  
3. Vodafone Spain at September 2013. Consumer contract



# Unified communications: increasing NGN access

Accelerate through  
Project Spring

Continuing our flexible market by market approach

Approach		Market progress to date	Targets
<b>1</b> NGN wholesale	<b>Italy</b>	34 cities (FTTH Milan + VDSL other cities)	➔ Match incumbent in non-self-build areas
	<b>Germany</b>	VDSL, 26% coverage	➔ Vectoring in 2014, 60% VDSL coverage by 2016
	<b>Netherlands</b>	Reggefiber; 20% coverage (1.5m HH)	➔ Increase fibre coverage
<b>2</b> Fibre deployment	<b>Italy</b>	Prepare self-build FTTC	➔ 6.4m HH covered by FTTC by 2016
	<b>Portugal</b>	Co and self-build, 580k HH passed, 13% coverage	➔ >1.5m HH passed (accelerated to 2015)
	<b>Spain</b>	Co-build on track for 800k HH by March 2014	➔ 6m HH by March 2017
<b>3</b> M&A	<b>UK</b>	CWW acquisition in 2012; successful integration	➔ Deliver integration synergies by 2016
	<b>Germany</b>	KDG acquisition in 2013; 28% coverage <sup>1</sup>	➔ Deliver integration synergies by 2018

NGN = Next generation Network. HH = Households or premises

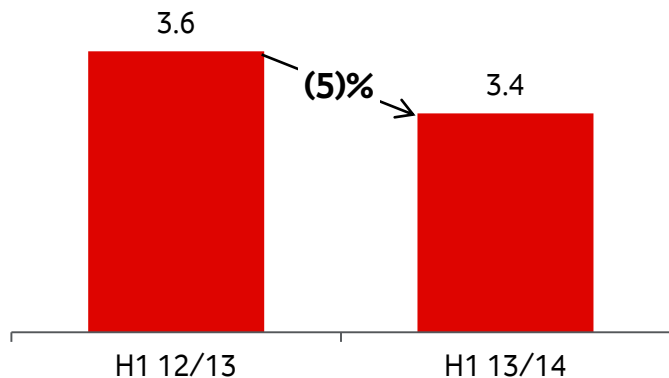
1. Assumes full integration of Kabel Deutschland





# Cost focus ongoing reductions to mitigate revenue pressures

## European opex<sup>1</sup> (£bn)



- £175m savings, -5%
- Savings in S Europe, -9%; N&C Europe, -2%<sup>3</sup>
- On track to reduce opex by £0.3bn in FY 13/14<sup>1</sup>
- Further reductions planned

## Drivers

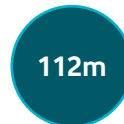
H1 12/13



Headcount<sup>2</sup>



Shared service employees



Calls to customer service

H1 13/14

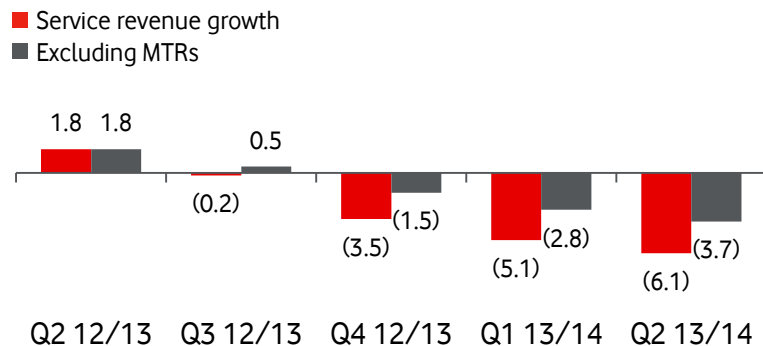


1. Organic opex, excluding restructuring costs, include Northern & Central Europe, Southern Europe and Common Functions  
2. FTE + Contractors  
3. Opex excluding Turkey

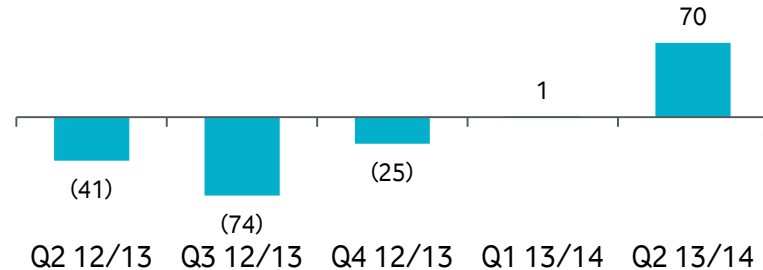


# Germany: market re-pricing; return to customer growth

## Service revenue growth (%)



## Contract net adds ('000s)



## Performance

- Pricing under pressure from no-frills providers
- Contract net adds positive since launch of SMART rate plans/step-up of A&R
- 1.8m Vodafone Red customers: 13% of contract base
- 4G roll-out on target: 66% population coverage
- H1 EBITDA margin 34.1%, -2.5ppt YoY

## Strategic priorities

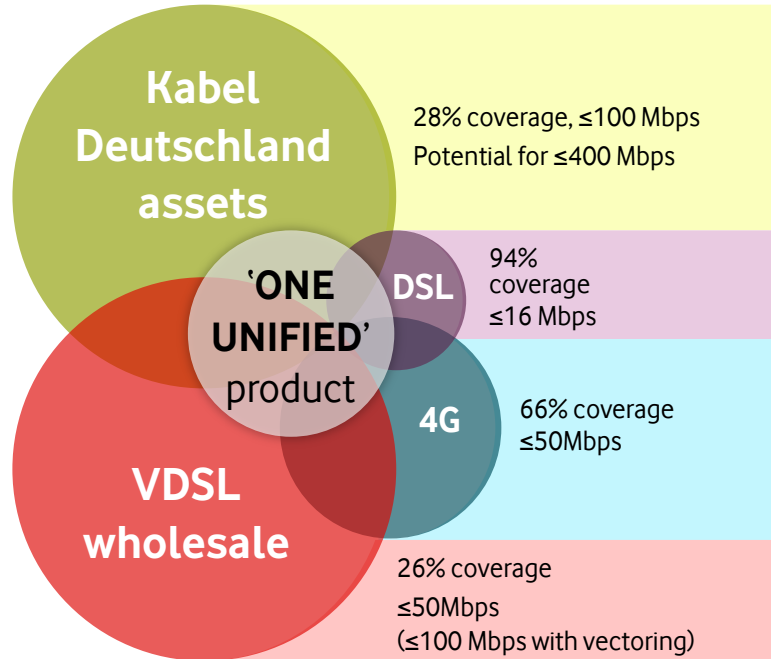
- Regain market share
- Differentiation
  - Perfect voice
  - Over 90% 4G outdoor coverage by March 2016
  - New store design to ~1,300 stores
  - VDSL rollout to 60% coverage by 2016
- Further cost savings
- Kabel Deutschland integration

All growth rates shown are organic

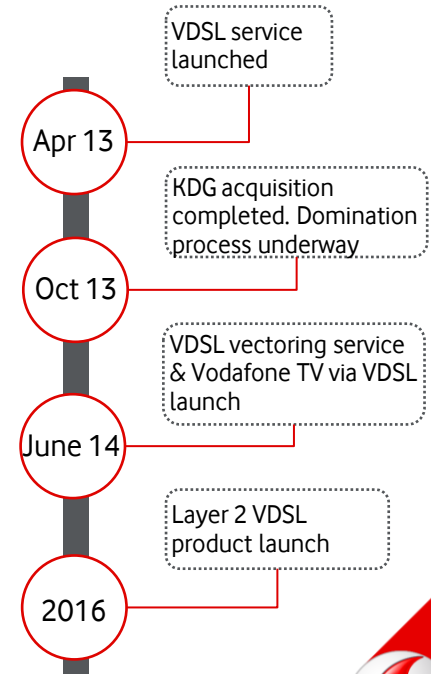


# Unified communications in Germany

Creating a market-leading integrated player with nationwide reach



## Timeline

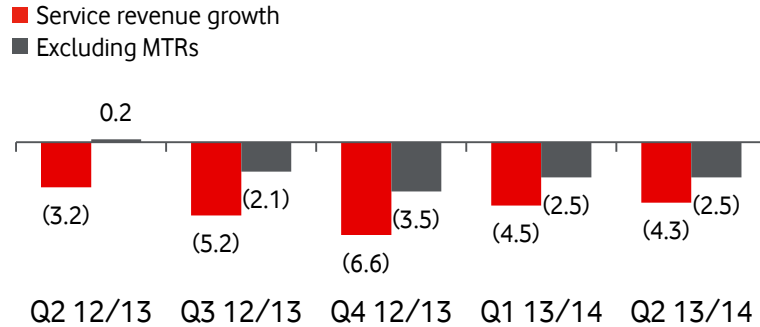


Coverage = population coverage. Speeds shown are typical user peak downlink speeds

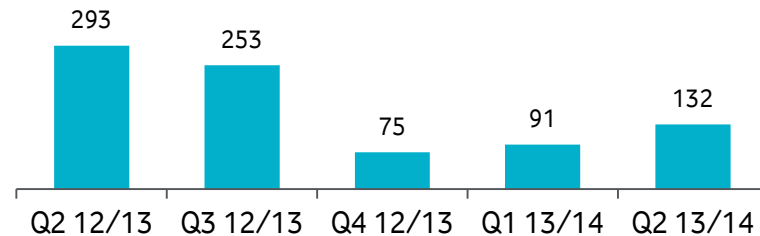


# UK: revenue decline stabilising; focus on growing enterprise

## Service revenue growth (%)



## Contract net adds ('000s)



All growth rates shown are organic  
1. At November 2013

## Performance

- Growing contract base; churn improved +0.5ppt QoQ
- 1.8m Vodafone Red customers; 16% of contract base
- Successful 4G launch in August; >200k<sup>1</sup> customers, differentiated content (Spotify / Sky Sports)
- Accelerated CWW integration
- H1 EBITDA margin 21.8%, -0.8ppt YoY due to CWW integration, organic margin +0.5ppt

## Strategic priorities

- Ramp-up of integrated Enterprise sales team
- Differentiation
  - Best network, particularly in London
  - 99% 4G outdoor coverage by March 2016
  - Strengthen branded distribution
  - Best customer experience with new IT stack
- Further cost savings



# Unified communications in the UK: CWW integration

## Operational improvements<sup>1</sup>



Material customer service issues



Major network incidents



Mean time to restore

## Clear benefits...

### ..today

- Carrier and Hosting services launched
- Integration cost and synergies on track
- Integrated fixed/mobile sales channel
- >50% of international IP traffic on-net

### ..and next

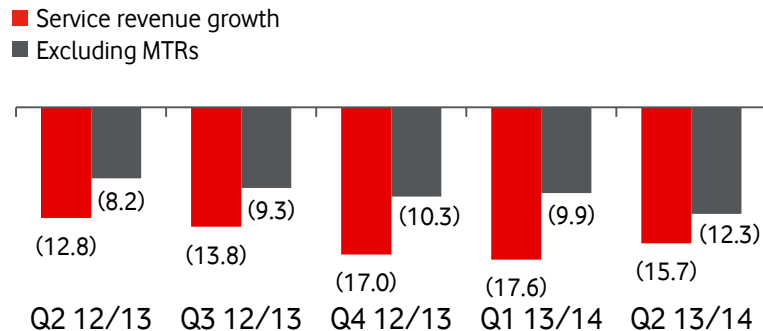
- India and Europe integrations
- Single Vodafone ERP; IT / product rationalisation
- Cross sell new and enhanced products
- 100% of international IP traffic on-net

1. 6 months from Oct 12 - Mar 13 vs. 5 months Apr 13 - Aug 13

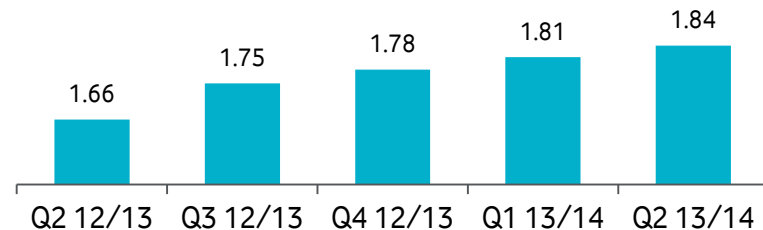


# Italy: revenue impacted by price war; focus on driving prepaid revenue

## Service revenue growth (%)



## Consumer contract customer base (m)



All growth rates shown are organic

1. 100% basis

## Performance

- Summer prepaid price war and economic downturn
- Main operators raised prices in September for new adds
- Contract base +3% YoY; prepaid declining
- 1.3m Vodafone Red customers<sup>1</sup>, 46% of contract base
- Fixed broadband growing
- H1 EBITDA margin 36.9%, -5.7ppt; opex -4%

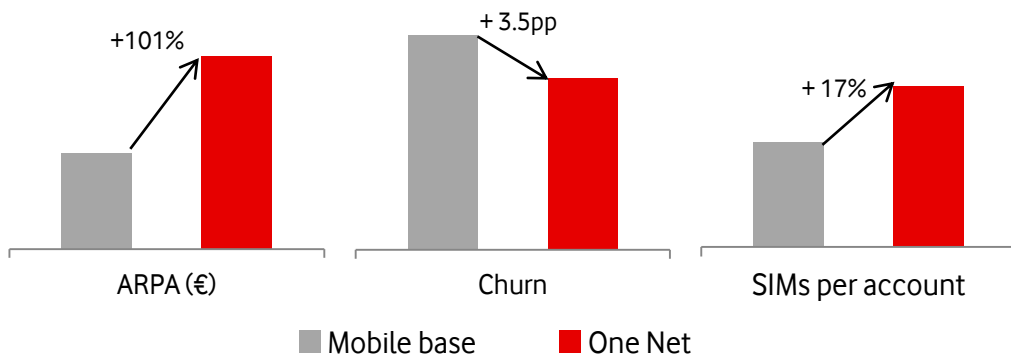
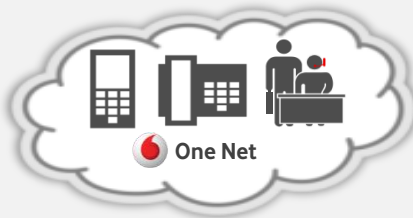
## Strategic priorities

- Drive prepaid revenue
- Continue momentum on contract growth
- Differentiation
  - 4G rollout to over 90% outdoor coverage by March 2016
  - Self-build FTTC-VDSL to 150 cities, 6.4m households
  - Redesign 900 stores
- Further cost savings

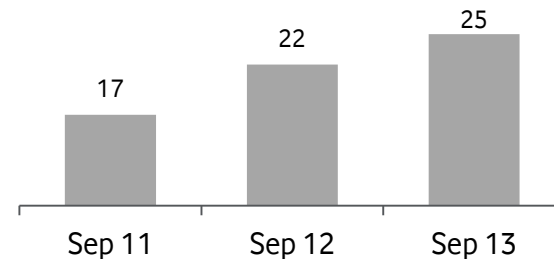


# Unified communications in Italy: Vodafone One Net for SMEs

Cloud-based communications system; connects fixed phones, mobiles and voicemail

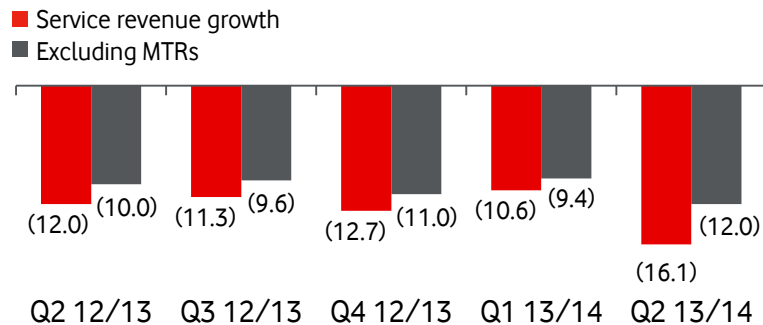


Vodafone One Net penetration of SME accounts (%)

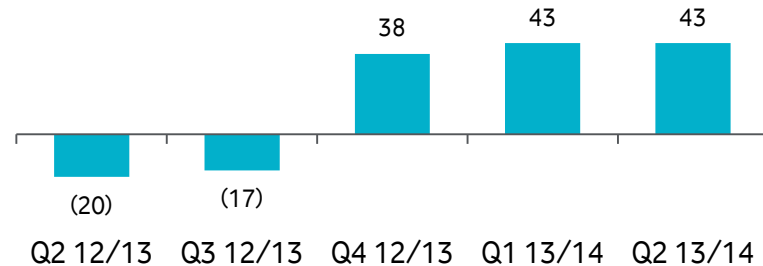


# Spain: revenue still weak; gaining traction with convergence

## Service revenue growth (%)



## Fixed broadband net adds ('000s)



All growth rates shown are organic

## Performance

- Economy out of recession
- Price/churn pressure from converged offers
- Sustained operational improvement; contract churn +2.8ppt QoQ; positive broadband net adds
- 4G market leader; present in 15 cities
- Fibre co-build on track for 800k HH by March 2014
- H1 EBITDA margin 23.0%, -4.2ppt YoY; opex -10%

## Strategic priorities

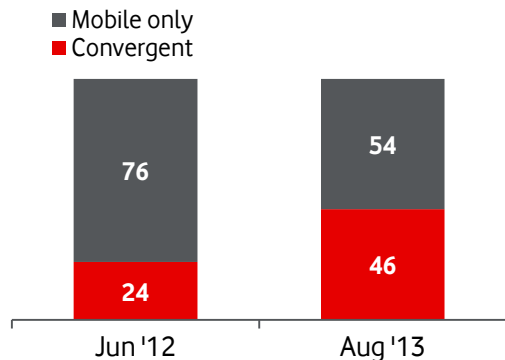
- Continue to push converged offers
- Differentiation with Spring
  - Accelerate 4G coverage to maintain leadership position
  - Redesign 1,000 retail stores
- FTTH to 6m households by 2017
- Further cost savings





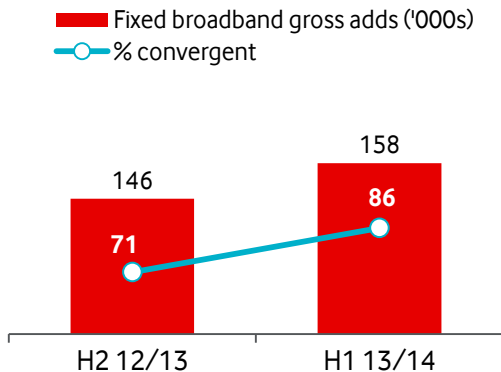
# Unified communications in Spain: growth through converged offers

## Market gross adds, consumer contract ('000s)



The market is moving to convergence

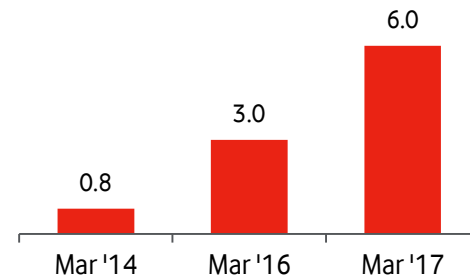
## Vodafone Integral, consumer contract



Vodafone Integral (Vodafone Red + DSL) launched Apr '13

DSL NPS +9ppt in H1 13/14

## FTTH homes passed (m)



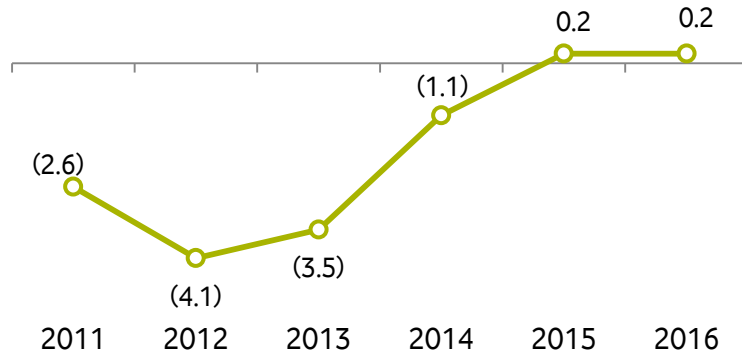
Vertical fibre access agreement in place

Expand DSL self-build coverage from 68% to 82% by 2016



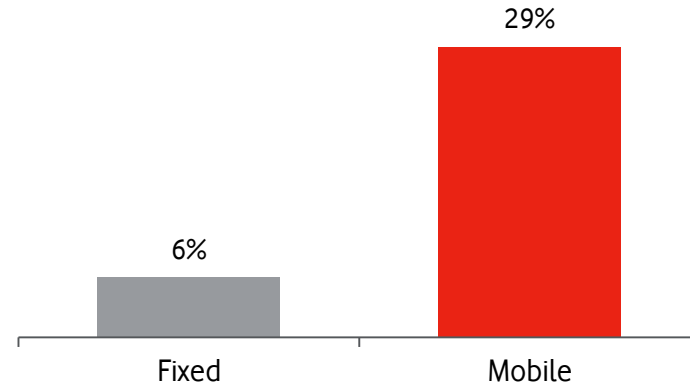
# The future: mobile market recovery and fixed share gains

## European mobile market revenue growth forecasts<sup>1</sup>



## Vodafone Europe service revenue market share<sup>2</sup>

- A +1ppt gain in fixed share drives 2.5% service revenue growth for Vodafone



1. Source IDC/ Screen Digest  
2. Excludes KDG



# Summary

- Mobile market service revenue expected to recover
- Improving operational performance in a challenging market
- Investing with Spring to gain **differentiation** in networks and customer experience
- Increasing **unified communications** capability; NGN wholesale and fibre build out; and M&A integration
- Further ambitious **cost reductions** planned

... to benefit from mobile market recovery and fixed share gains



# Forward-looking statements

This presentation contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to: targets for free cash flow and adjusted operating profit; statements relating to the Group's future performance generally; statements in relation to the global economic climate; statements in relation to regulatory developments; statements relating to Vodafone's on-going efficiency programme to deliver £300 million in net savings; expectations regarding growth in customers and usage, especially in emerging markets; statements in relation to smartphone adoption, adoption of multiple devices, mobile data, SMS and fixed growth, and technological advancements; statements in relation to the launch of new products and service offerings, including those contemplated by Vodafone 2015; statements relating to Project Spring; expectations regarding the integration and performance of newly acquired businesses, including Kabel Deutschland; and expectations regarding service revenue growth costs (including spend managed through Vodafone Procurement Company), data growth, and capital and operating expenditures.

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Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the headings "Forward-looking statements" and "Principal risk factors and uncertainties" in Vodafone Group Plc's Annual Report for the year ended 31 March 2013 and under the headings "Forward-looking statements" and "Risk Factors" in Vodafone Group Plc's half-yearly results announcement for the six months ended 30 September 2013. The Annual Report and the half-yearly results announcement can both be found on the Group's website ([www.vodafone.com/investor](http://www.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 presentation will be realised. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

