

# **Vodafone Group Plc**

## **Interim Management Statement Q1 09/10**

**Vittorio Colao, Chief Executive**

**Andy Halford, Chief Financial Officer**

**24 July 2009**



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# Agenda

Highlights

Business review

Financial outlook

Q&A



## Group summary

	Q1 09/10	Growth	Organic service revenue growth <sup>1</sup>
<b>Group revenue</b>	£10.7bn	+9.3%	(2.1)%
<b>- Europe</b>	£7.5bn	+3.8%	(4.4)%
<b>- Africa &amp; Central Europe</b>	£1.7bn	+27.8%	(2.6)%
<b>- Asia Pacific &amp; Middle East</b>	£1.6bn	+20.3%	+14.3%
<b>Data</b>	£0.9bn	+33.7%	+19.4%
<b>Proportionate customers</b>	315m	+17.2%	
<b>Free cash flow<sup>2</sup></b>	£1.9bn	+21.2%	

1. Excludes Australia and grossed up for South Africa stake increase and assumes constant exchange rates

2. Before licences and spectrum payments



# Key highlights

## Europe

- Similar underlying revenue trends
- Economic pressures: voice usage growth, roaming revenue
- Increased MTR impact - Germany

## Emerging markets

- India: strong growth driven by network expansion, customer growth
- Turkey: strengthened network, distribution
- Vodacom: solid domestic growth, despite slowing economy

## Total Communications

- Strong organic data revenue growth continues: +19%
- Good progress in fixed: 19% organic growth in Italy, 15% in Spain

## Free cash flow

- Good free cash flow generation
- Slightly ahead of Q1 08/09

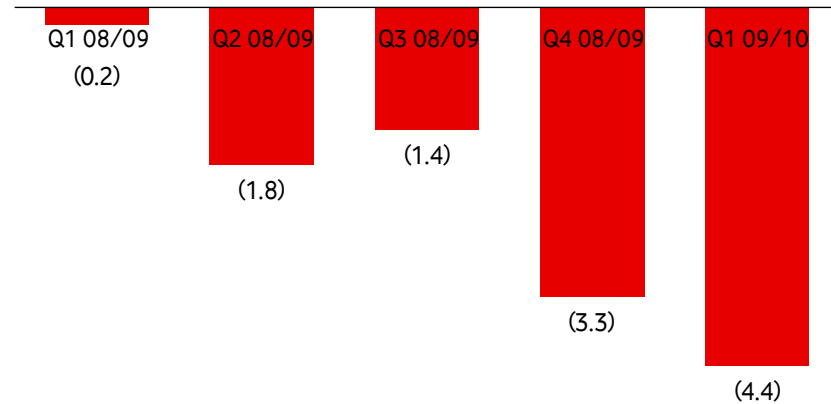
## Guidance

- Cost programmes on track, update in November
- Q1 performance consistent with guidance assumptions
- Guidance fully reiterated

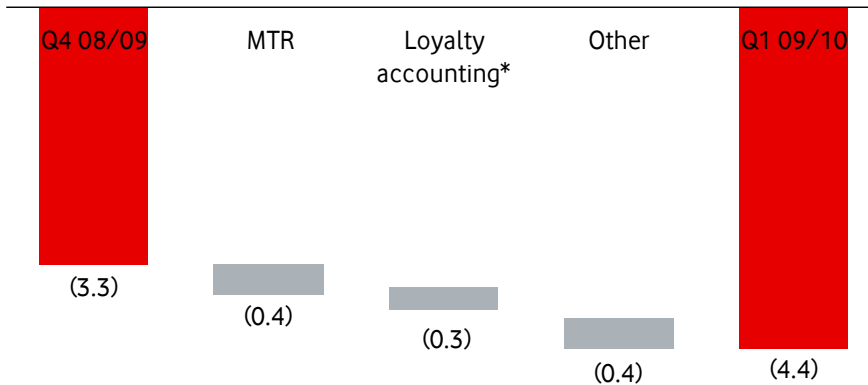


# Europe

## Organic service revenue growth (%)



## Organic service revenue growth bridge (%)



## Organic service revenue trends

- Underlying revenue trend stable
- Continued decline in voice usage growth, roaming revenue
- Organic data revenue +18%, with Mobile Internet +28%
- Fixed line revenue +6%

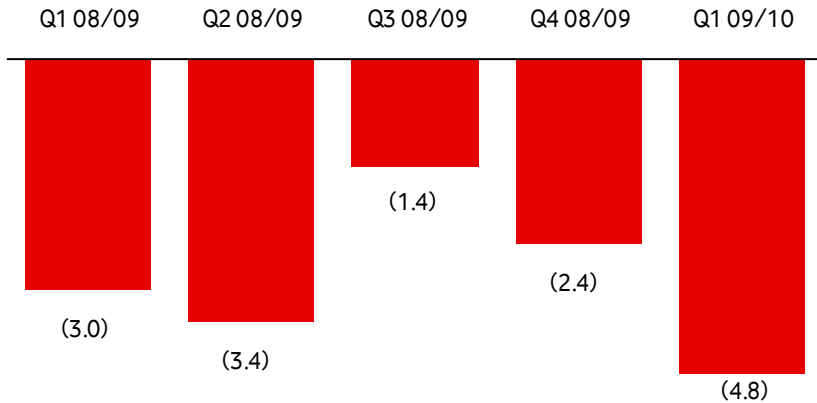
## Organic service revenue walkthrough

- MTRs: Germany and Portugal
- Other: Easter working day effect
- Q2: further MTR cuts and slower roaming growth

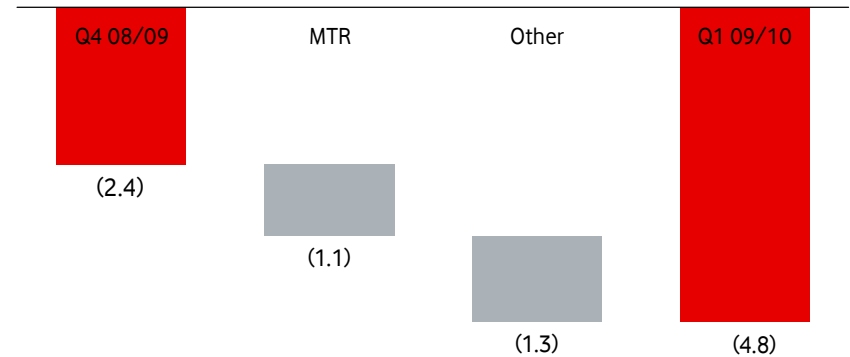


# Germany

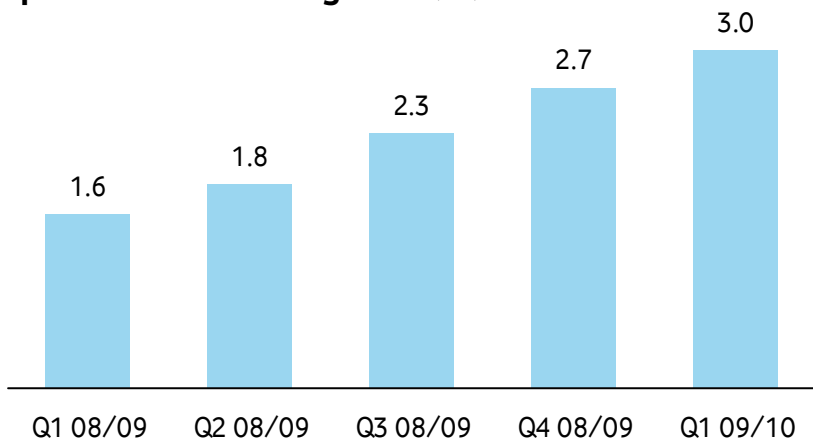
## Organic service revenue growth (%)



## Organic service revenue growth bridge (%)



## SuperFlat tariff closing base (m)

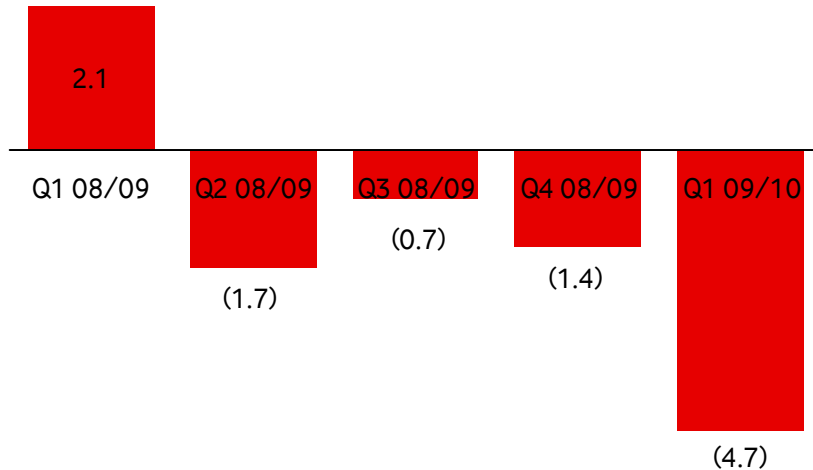


## Business trends

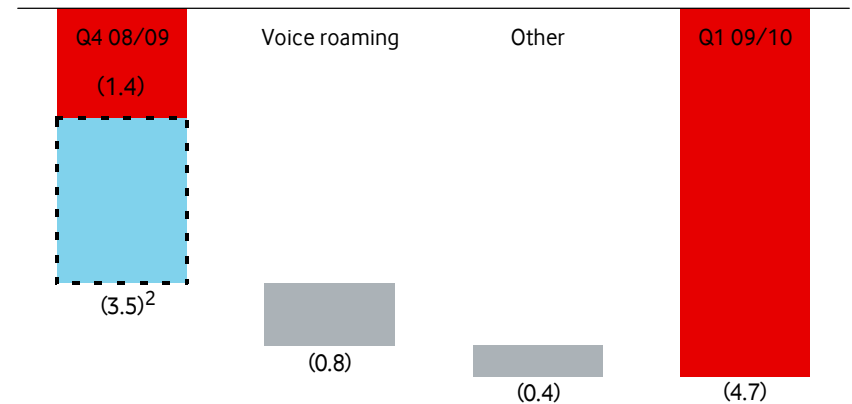
- Economy, MTRs, working days
- SuperFlat tariff over 3m customers with over €50 ARPU
- Prepaid price pressure remains intense
- Organic data revenue +17%, with Mobile Internet +17%
- Vodafone Advantage – 367,000 additions since May
- Fixed line revenue flat



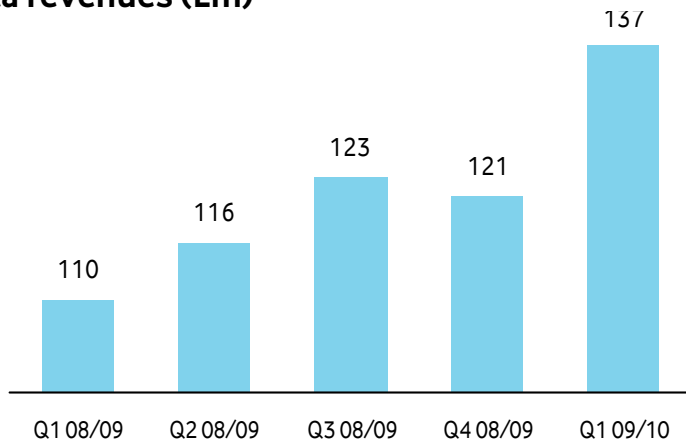
## UK

Organic service revenue growth<sup>1</sup> (%)

## Organic service revenue growth bridge (%)



## Data revenues (£m)



## Business trends

- Economic impact, roaming and enterprise
- Organic data revenue +24%, with Mobile Internet +49%
- Freedom Packs, Your Plan and summer roaming
- New agreements with Phones 4U & Carphone Warehouse
- Termination rate reduction implemented 1 July

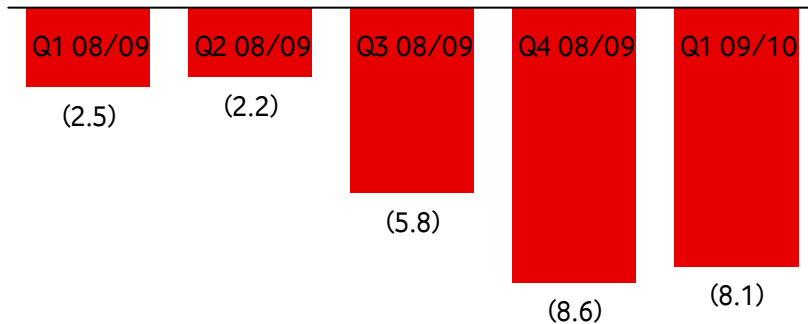
1. Q2 07/08 adjusted to reflect £30m UK VAT refund  
 2. Updated treatment of inbound revenues matched by the interconnect costs



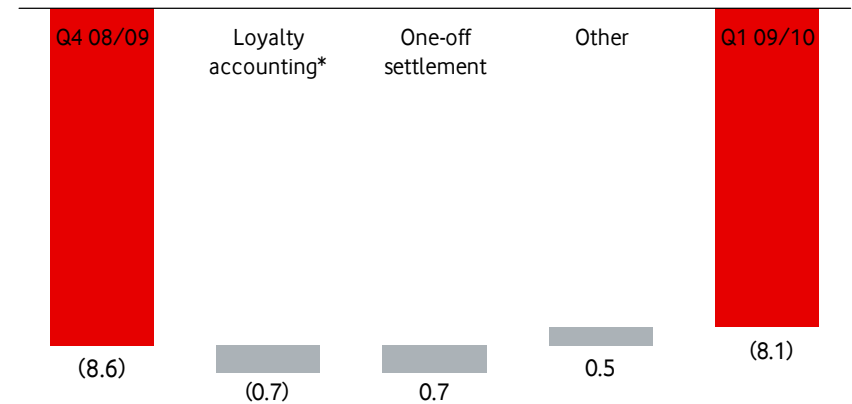


# Spain

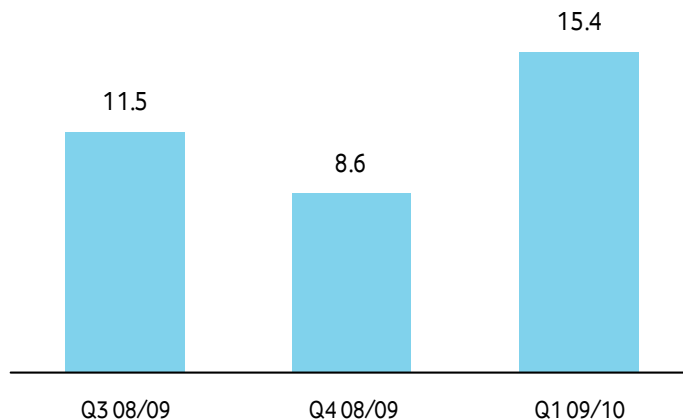
## Organic service revenue growth (%)



## Organic service revenue growth bridge (%)



## Accelerating fixed line revenue growth (%)



## Business trends

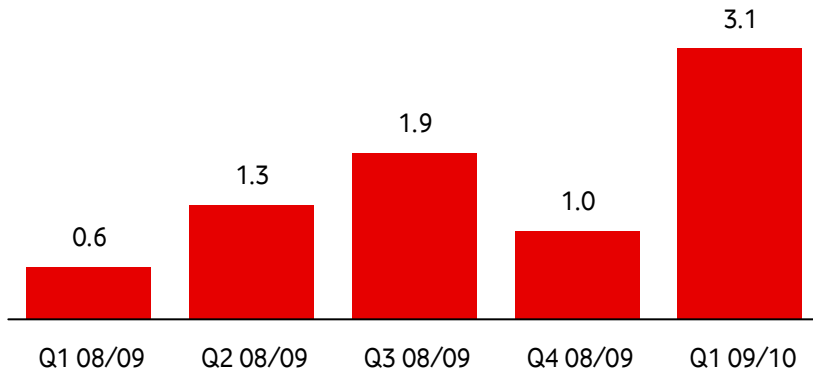
- Underlying improvement vs. Q4
- Economy impacting usage
- Tarifas Planas going well (175,000 customers since May)
- Organic data revenue +16%, with Mobile Internet +21%
- Continued strong broadband net additions share

\*Impact of new accounting standard on loyalty programmes – IFRIC 13

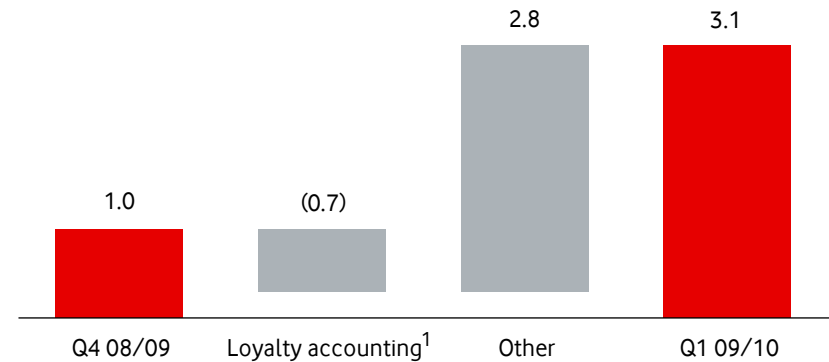


# Italy

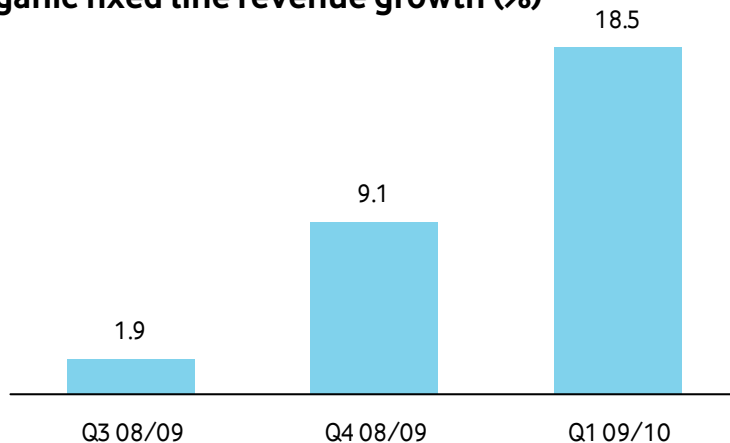
## Organic service revenue growth (%)



## Organic service revenue growth bridge (%)



## Organic fixed line revenue growth (%)



## Business trends

- Strong revenue performance despite worsening GDP
- Voice revenue stable
- Organic data revenue +18%, with Mobile Internet +47%
- Fixed line revenue growth accelerating
- Fixed broadband customers over 1m<sup>2</sup>

1. Impact of new accounting standard on loyalty programmes – IFRIC 13

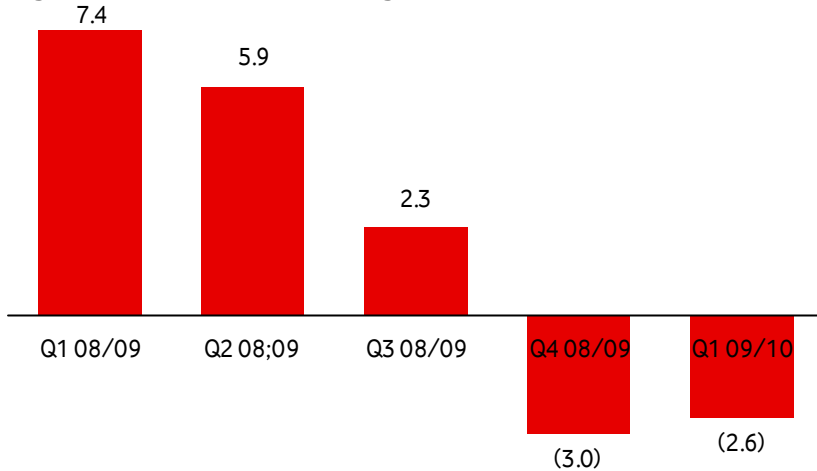
2. On a 100% ownership basis



# Regional performance

## Africa and Central Europe

### Organic service revenue growth (%)

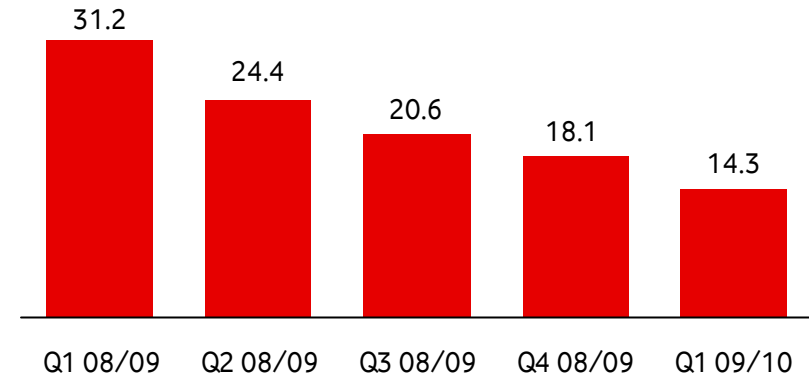


### Recent trends

- Stable overall
- Significant economic impact
- Adverse foreign exchange environment in Romania
- Termination rates impacting growth in Central Europe

## Asia Pacific and Middle East

### Pro forma service revenue growth<sup>1</sup> (%)



### Recent trends

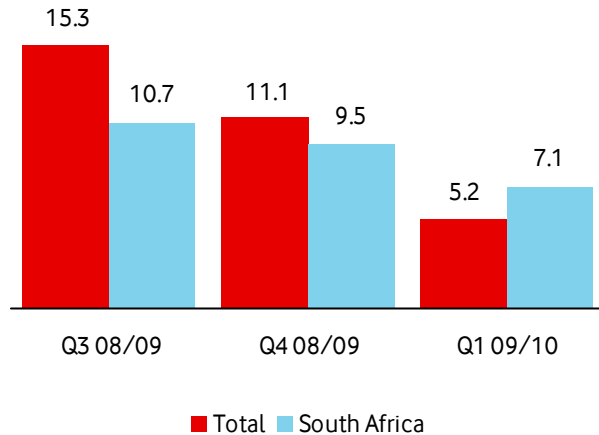
- Organics now exclude Australia and include India
- Growth driven by customers +49%
- Strong organic data revenue growth, with Egypt +100%
- Australia: JV executing to plan
- Qatar: launched 7<sup>th</sup> July; Qatar Exchange listing 22<sup>nd</sup> July

1. Pro forma excluding Australia and including India



# Vodacom

## Organic service revenue growth (%)

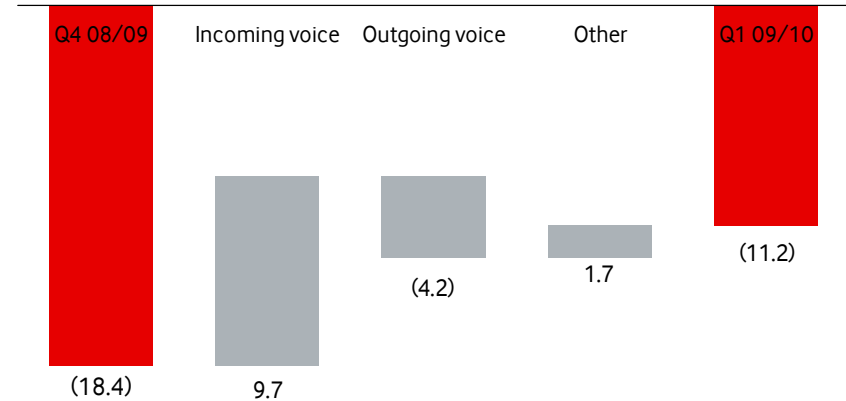


## Organic revenue growth

- Working days impact around South Africa election
- Economic pressures in other operations
- 1.3m customer net additions
- Organic data revenue growth +30%

# Turkey

## Organic service revenue growth (%)



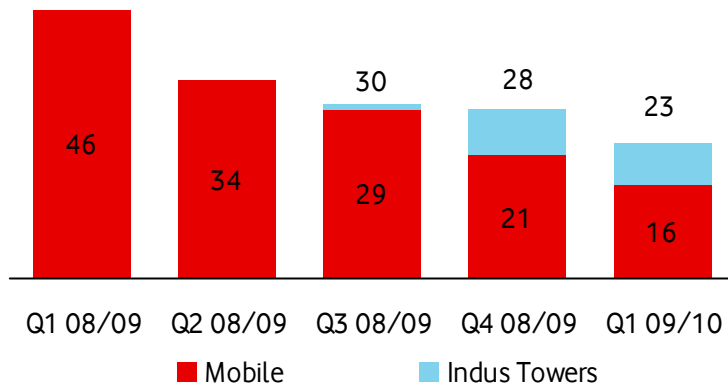
## Organic revenue growth

- Cross-net plans driving incoming revenue growth
- Outgoing voice remains weak due to price declines
- Turnaround plan progressing
  - Network: 400 sites added in Q1, improving quality
  - Distribution: significant increase in points of sale
- Positive MNP figures for 3 successive months

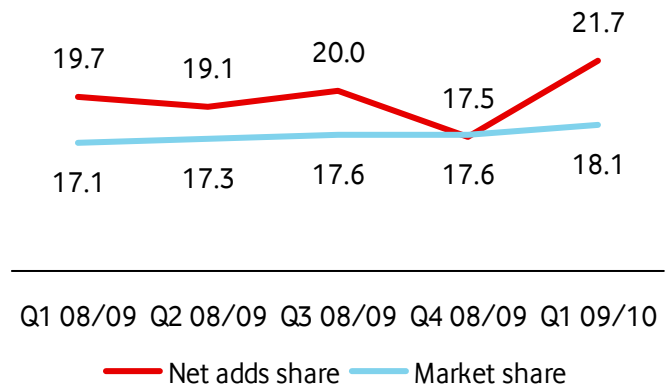


# India

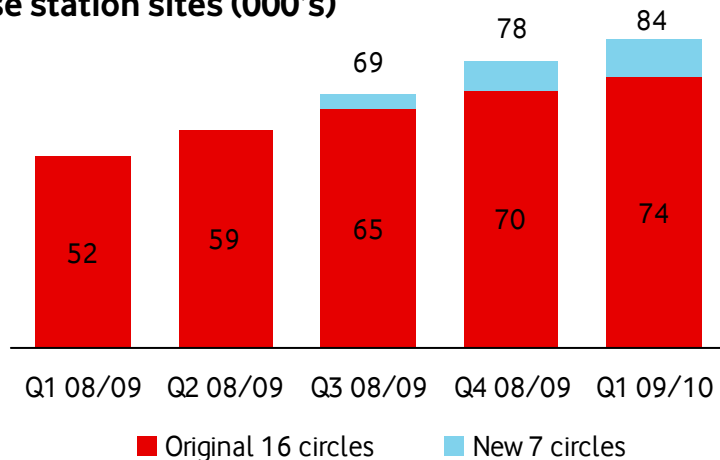
## Organic service revenue growth (%)



## Customer share (%)



## Base station sites (000's)



## Recent trends

- Market penetration around 37%
- 5pp revenue impact from 33% MTR reduction
- Market share continues to improve
- Customer growth: +56% YoY. 3.4m now in new circles
- 2,000 additional sites per month
- Indus Towers now over 100,000 sites



# Financial outlook for FY 09/10 confirmed

	Adjusted operating profit <sup>1</sup>	Free cash flow <sup>2</sup>
Guidance confirmed	£11.0 – £11.8bn	£6.0 – £6.5bn
Q1 trends	<ul style="list-style-type: none"> <li>EBITDA margin decline consistent with annual guidance assumptions</li> </ul>	<ul style="list-style-type: none"> <li>Underlying Q1 FCF slightly ahead</li> <li>Capex investment maintained</li> </ul>
Foreign exchange sensitivity <sup>3</sup>	<ul style="list-style-type: none"> <li>1% € change = £60m</li> <li>1% US\$ change = £40m</li> </ul>	<ul style="list-style-type: none"> <li>c.90% € denominated</li> </ul>
Net debt	<ul style="list-style-type: none"> <li>June 09 net debt - £31.2bn (mix: €57%, US\$ 44%, other 12%, £ (20)%)</li> <li>FX impact - £4.1bn debt reduction at end June FX<sup>4</sup></li> </ul>	
Q2 vs. Q1	<ul style="list-style-type: none"> <li>UK MTR; Europe SMS, voice roaming, wholesale data</li> <li>c. 1 percentage point</li> </ul>	

1. Before Alltel integration costs  
 2. Before licences and spectrum payments

3. Annual impact

4. FY 09/10 principal currency assumptions: €/£1.12 and US\$/£1.50. Q1 average rates €/£1.14 and US\$/£1.55. 30 June rates: €/£1.17 and US\$/£1.65



# Summary

**Europe: consistent trends in Q1, economies challenging**

**Emerging Markets: India, Vodacom growth continues**

**Total Communications: data revenue +19%; fixed +7%<sup>1</sup>**

**Strong free cash flow generation, sustained investment**

**Outlook confirmed**



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