

Vodafone Group

Q1 Interim Management Statement Analyst and Investor Conference Call

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Introduction

Andy Halford

Chief Financial Officer, Vodafone Group

Good morning, and welcome to Vodafone's interim management statement for the first quarter. I'll take you through the financial highlights before handing over to Vittorio, who will update you on strategic developments. We'll then move to Q&A, and for that we're joined by Philipp, Paolo and Nick. So let me start on slide 3, highlights for quarter. Group organic service revenue was down 3.5% on our normal accounting basis, or down 1.3% under the new statutory accounting basis, which excludes joint ventures like Italy. We've included both sets of numbers in today's press release, but I'll focus in this presentation on the numbers that include our joint ventures, as I believe that that will fairly represent the underlying operational performance of the Group. The 3.5% decline was a slight improvement on the previous quarter. However, excluding the leap year benefit in Q4, our performance deteriorated slightly, partly due to MTRs. We continue to see strong growth in our emerging markets, with India up 13.8%, Turkey up 15.5%, and Vodacom up 3.2%. However, this was offset by conditions in Europe.

In the US, Verizon Wireless continued to perform strongly, with service revenue growth of 7.2%, driven by strong growth in the number of accounts, and average revenue per account. On Vodafone Red we have now launched it in 16 countries, and have 5.2 million customers. This is helping to drive in-bundle mobile customer revenue, which for the Group was up 9.5% year-on-year. We've made strong progress in our unified communications strategy, having recently announced our proposed acquisition of Kabel Deutschland in Germany, and we have signed an agreement to share vertical fibre infrastructure in Spain. This week, we also announced that through a wholesale access agreement in Italy, we will launch fibre-based propositions in 27 cities by the end of this summer.

Net debt for the quarter fell to £24.9 billion, which was primarily driven by the receipt for the £2.1 billion dividend from Verizon Wireless, and we have now completed the £1.5 billion share buyback.

On slide 4 we have split out the overall revenue trends by region. In Northern and Central Europe service revenue's declined by 3%, and in Southern Europe by 14.4%, reflecting continued economic and regulatory pressures, and increased competition in some markets. AMAP, which primarily comprises of our emerging markets, continued to grow strongly at 5.9%, with good growth in customer numbers, data, and a more supportive pricing environment, particularly in India. I'll go into more detail on each of these regions shortly.

Excluding MTRs, Group service revenues, including joint ventures, declined 0.7%. It's worth noting at this point that for Q2, we expect a similar MTR headwind, with further cuts in Spain, Turkey and the Netherlands, offset by lapping effects in Italy.

Capex for the quarter was £1.2 billion, and free cash flow it was £1 billion, or £3.1 billion, including the dividend received from Verizon Wireless.

On slide 5, you can see the impact of favourable FX movements and M&A in the quarter. In addition to this, our new revenue reporting disclosure means that we have now moved away from voice, SMS and data and are instead reporting mobile in-bundle, out-of-bundle and incoming trends, which better reflect the way in which we operate. Strong adoption of our integrated plans, particularly Vodafone Red, has driven up in-bundle mobile revenue, which now represents 46% of Group mobile service revenues, or 56% of our European mobile service revenues. This has been particularly evident in Italy, as customers have migrated from pre-paid to integrated contract offers.

Our plans are also successfully driving usage volumes, with voice and data up 9% and 60% respectively. Offsetting this, mobile out-of-bundle customer revenue has declined, reflecting the increased take-up of the integrated offers, and the ongoing economic and competitive pressures in European markets. The decline in mobile incoming reflects the reduction in MTR rates, partially offset by increased voice usage, as unlimited plans are causing customers to call more.

Turning to the next slide, let's look in more detail at each of our key regions. Firstly, Northern and Central Europe, which now accounts for 47% of the Group service revenue. In Germany, service revenue's declined by 5.1%, or 2.8% excluding MTRs. This represents a deterioration on the prior quarter, reflecting increased price competition both in the consumer contract and enterprise segments. However, smartphone penetration continued to grow, up 11 percentage points year-on-year to 56%, and mobile in-bundle revenue increased by 7%, with strong demand for our Vodafone Red plans. In order to address the entry-level end of the market, we have launched new smart plans, focusing primarily on SIM-only contracts, and have introduced a new loyalty programme for pre-paid, with more than 450,000 customers now signed up. On 4G, we have maintained our leadership position, with population coverage now at 64%.

Turning to the UK, service revenue trend's improved quarter-on-quarter by 2.1%, or 1% excluding MTRs. Just as a reminder, this is the pre-existing business, excluding Cable & Wireless. Economic conditions remain fragile, and we experienced further competitive pressure in consumer pre-paid and enterprise, which were partially offset by consumer contract. However, contract smartphone penetration increased by 9 percentage points to 76%, and we now have 1.5 million customers on our Vodafone Red plans, which represents 16% of the contract base.

Following the integration of Cable & Wireless, we have launched converged offerings, and enterprise now represents just under 45% of UK service revenues. Following the successful UK spectrum auctions, we are now on track to launch 4G services later this summer.

Moving to AMAP on slide 7, which is the second biggest contributor to Group service revenue. In India, we are seeing a much healthier environment, enabling us to deliver

service revenue growth of 13.8%, compared to 7.8% in the prior quarter. As a result, India, on a service revenue basis, has become our fourth largest business. Smaller operators have continued to scale back their activities, and we have been able to maintain our long record of increasing market share. We'll also seen less price discounting, enabling outgoing voice prices to rise, in turn driving higher ARPU.

Customer growth is strong at 2.7 million, in part due to improved processing of subscriber verification requirements, and we continue to attract quality customers, shown by an activity ratio of 95%. Finally, we are really beginning to see data take off in India. Data users have grown by 33% year-on-year to 41 million. We now have 4 million 3G data users, and smartphone penetration is already at 9%.

Despite positive market conditions, we continue to face several uncertainties on the regulatory front, particularly regarding spectrum pricing and availability. We may see some progress soon, as the auction of 1,800 MHz and 900 MHz spectrum may take place later this year.

Moving to the bottom of the slide, Vodacom Group service revenue grew by 3.2%, driven by an improvement in South Africa and a strong growth in the international businesses, albeit at a slightly lower rate. In South Africa, the launch of a new value offering in the market to stimulate voice usage has been successful, with a 21% increase in prepay minutes. This, combined with higher data prepay bundles, have offset other competitive pricing pressures. In international, service revenue grew by 14.3%, which was supported by strong prepay customer net additions of 0.9 million. M-Pesa is now live in all of Vodacom's markets, and now represents 19% of Tanzania's service revenue.

Moving to Southern Europe: in Italy, market conditions have continued to deteriorate, and pricing in the market, particularly on prepaid and enterprise, has been very aggressive. As a result, service revenue has declined 17.6%; however, excluding MTRs, our performance was similar to the prior quarter. Despite these challenges, we reported strong growth in consumer contract mobile service revenue of 8%, supported by Vodafone Red, which represents 92% of consumer contract gross adds in the period. We now have 1.2 million customers on Vodafone Red plans, representing 49% of the consumer contract customer base. On restructuring and cost efficiencies, we remain on track to deliver material cost savings, and on fixed, we have extended our fibre agreements with Metroweb in Milan to a second region and agreed a wholesale fibre access agreement in Italy with Telecom Italia.

In Spain, service revenue declined by 10.6%, driven by continued macro weakness, and competition remains intense, with the increased popularity of discounted converge consumer offers in the market. Vodafone Red is performing well, with over half the gross customer additions during the quarter being on integrated tariffs, which helped drive growth in mobile in-bundle up by 4%. Combined with our other targeted propositions, the decline in our customer base has improved. Our bundled Vodafone Red plus fixed plans continue to have a positive impact on broadband customer numbers, which increased 43% in the quarter. Our fibre partnership with Orange is on track, and we have now signed a vertical access agreement with the incumbent. Finally, in May, we were the first operator to launch 4G services in Spain, initially launching in seven cities.

Turning to the US on slide nine. Verizon Wireless continued to perform strongly, with service revenue up 7.2%, led by strong growth in the number of accounts and rising average revenue per account. In the quarter, Verizon Wireless added 941,000 postpaid connections, an increase of 6% year on year. In total, the company now has over 100 million mobile retail connections. In addition, over 36% of retail postpaid accounts are now on Share Everything plans. Average revenue per account increased by 6.4% year-on-year, driven by both increased smartphone penetration, now at 64% of the retail postpaid base and the take-up of 4G services. A third of Verizon Wireless's retail postpaid connections now have a 4G device, and 59% of total data traffic is now on the 4G network. Verizon Wireless has continued to maintain its leadership position in 4G adoption, having now substantially completed the deployment of its network. The network now covers more than 99% of Verizon Wireless's current 3G footprint, and is available in 500 markets. This continues to represent a key point of service differentiation.

Now, on to slide 10, the Group's free cash flow and our financial position. We generated £1 billion of free cash flow during the quarter, which was similar to the prior year. Overall, net debt fell by £2.1 billion to £24.9 billion, boosted by the Verizon Wireless dividend received in the quarter. On a statutory basis, which deconsolidates debt raised locally by joint ventures, primarily in Australia, the equivalent number was £23 billion. We also completed our £1.5 billion share buyback programme at an average price of just below 180p, with actual cash payments of £1 billion in the period. So, in conclusion, our financial position remains strong. As we highlighted at the time of the KDG announcement, that transaction is expected to take our pro forma net debt to EBITDA ratio from 2.0 to 2.4 times. Overall, our balance sheet headroom remains very comfortable.

With that, I will hand you over to Vittorio, who will take you through the remaining slides

Strategic and Commercial Focus

Vittorio Colao

Chief Executive Officer, Vodafone Group

Thanks, Andy. Slide 11: I would like to give you a brief update on our key areas of strategic and commercial focus. Firstly, positive news on bundling and on Vodafone Red, and on the top-left part of the chart, that shows that 67% of consumer contract revenue in Europe comes from integrated plans, and we now have over half of our European consumer contract base on such plans. If you move down the bottom-left chart, it shows how this is driving the Group towards in-bundle revenue, away from the unprotected out-of-bundle revenues. Over half of our European mobile service revenue comes from bundles, whether contract or prepaid. This is up nine percentage points year on year, and two percentage points quarter on quarter.

These positive trends have been largely driven by the success of Vodafone Red. Today we have, as Andy has said, over five million customers across 16 markets. We are on track to reach our 10 million target by March next year. To take our largest European

markets, Germany, the UK, and Spain, Red now accounts for around 14% of consumer contract customers, and 22% of revenues. Red continues to be very popular amongst our customers. Across our markets, we are seeing an increasing share of gross add, and we continue to see an improving trend in ARPU dilution, although this remains mildly dilutive. And I'm pleased to see continuing increase in data usage, which is around twice that of non-Red customers. Now, Red is not only about voice, SMS and data. We have an increasing number of customers picking plans that include roaming: now over 15% of customers in our core markets.

If you move to slide 12, you can see how we are also transitioning to what we call a scale Data company. You can see here that data traffic growth is accelerating, and we are now up 60% year on year, driven by both smartphones and 4G. We continue to see an increased take-up of smartphones – 57% of contract customers and 37% of all customers in Europe now have a smartphone. Usage per customer is also increasing: it is up 26% year on year. Now, not on the slide, but as Andy's mentioned we are also seeing the take-up of smartphones increase in our emerging markets, with penetration in India doubling in the year to about 9%, which is driving an acceleration in Indian data usage as well, up 128% year on year.

We continue to invest in our networks, to deliver a great data experience over both HSPA and 4G. The chart on the top-right shows the progress we have made in upgrading our base stations to support the faster 3G speeds, to deliver an excellent experience to our customers. We now have 98% of our footprint on 14.4Mbps, and 49% of the footprint on 43.2Mbps. We continue to see our customers use more data: as I mentioned, average usage per smartphone is increasing, and we now have more and more customers on 4G, where the average usage is double that of 3G. 4G now accounts for 15% of European data traffic.

We are making good progress in this area. We are now in 10 markets, after three more launches in this quarter, including the thing I am proud of: we were first to launch in Spain. We will extend the 4G services to the UK, to the Netherlands and to Ireland by the end of this summer. So, good progress on our mobile network that will help us to continue to differentiate, and we are being increasingly strict here on the conditions for new and MVNO deals, to ensure that our advantage and our differentiation is protected.

Now, moving to our strategy on unified communications, you can also see here that we are making some progress. In Germany, on top of the offer for Kabel Deutschland – which we hope to complete in calendar quarter four of this year – we now have a complementary wholesale agreement with Deutsche Telekom and, of course, we have the 4G offer. In Spain, the co-investment with Orange is on track; we have a recent vertical access agreement with Telefónica; and, in Italy, we have reached an agreement for wholesale fibre access. In Portugal, we have started the extension of our fibre-to-the-home programme, where we aim to double the number of homes covered to around a million. And we also have signed a wholesale agreement in Ireland, so a lot of progress in this area.

Slide 13, my last one, is basically the wrap-up. We have continued to develop Vodafone Red; 5 million customers on these plans today. We'll have over 10 million by the end of the financial year. Growth in emerging markets has accelerated; we continue to see a strong performance from Verizon Wireless, and both of those things partially offset the

regulatory, competitive and macro pressure in Europe. We are continuing the evolution of the Group in line with our strategy, with an increasing contribution from our key pillars of growth. Data, as you see in the chart, is now 18% of service revenue. Enterprise is now 27%, and emerging markets, the third pillar of our growth strategy, is now 30%. And – I always like to stress this point – we are making the Group more future-proof, both in terms of our revenues, and our network. The proportion of European mobile service revenue that is in-bundle has nearly doubled in the last three years. Vodafone Red, of course, will help drive this trend further. Demand for data continues to increase, and we continue to invest, therefore, in our network to deliver an excellent customer experience over HPSA and 4G. And, finally, as I just said, we are busy building our convergence strategy with organic and inorganic initiatives.

Thank you for listening. I am now glad to ask Philipp, Paulo and Nick to join Andy and myself to take your questions.

Questions and Answers

Tim Boddy, Goldman Sachs

Yes, thanks for the question. I wanted to ask a little bit about what's happening in Germany, where it looks very much as if a new price war is beginning, or a further intensification. If you could comment, that would be very helpful. Secondly, I wondered if you could give us an update on regulation, where it seems disappointing, you know, to an outsider perhaps that the only concrete proposal we've seen so far is the cancelling of roaming fees. Perhaps, as I say, if you could generally comment on how you see EC regulation developing at present, and just quantify the EBITDA exposure of roaming fees, that would be most helpful. Thank you.

Vittorio Colao

Tim, I give you a quick answer on Germany, but maybe it is better if Philipp then expands on it, and then I will, if I can, comment immediately on roaming and regulation. On Germany, I wouldn't describe it as a price war. I mean, to me, price war is more what's happening in Italy. That, I call price war. I think, in Germany, there's more pressure: O2 changed tariffs and are discounting, E-Plus is attacking more on the low end, even if it is not generating growth for them. And Deutsche Telekom continues to subsidise heavily, and we have actually increased, also, our investment in that area. We are still a little bit below them, but of course we cannot let market share slip. But then Philipp, maybe, will be more precise.

Let me go on the regulation point immediately. I have to say, first of all, keep in mind that roaming is not a huge part of our revenues, and a large part of it is outside of Europe. And so, of the 6%-7% which is roaming, a large part is outside of Europe and a large part is enterprise, which anyhow we deal with commercially. It is important we are watching what is coming out of Brussels. Of course, we are interacting with them. I share some disappointment that once again, instead of letting the free market develop, we think regulation – and regulation over multi-countries, as always – has the risk of creating

wrong, unintended consequences and deterring investment. Having said that, we are engaged, and most importantly, as I said, many customers in Vodafone Red are taking roaming in Europe. Seven million customers take our daily tariffs, so we are proactive in using roaming more to our advantage than, you know, to be in an area that has to be regulated.

Do you want to comment, Philipp, a bit on Germany?

Philipp Humm, Chief Executive Officer, Northern and Central Europe, Vodafone Group

Yeah, a few words on Germany. As Vittorio said, we see some price pressure coming from the third and fourth player, and we also see that Deutsche Telekom continues to be aggressive on handset offers in consumer and enterprise. We are obviously, then, responding to it. Overall, the market is a little bit soft in gross adds. Now we're seeing on strategy, and start to see some pretty encouraging signs, as we are reaching now 1.3 million customers with Red. We see our ARPUs stabilising in the consumer area, which is good, and we're also seeing first-hand net positives on contracts, which is also good. We're staying on course, continuing to invest in Red, continuing to invest in the network, and playing the defence game with our 'smart' tariff rate plan in the lower end to offset potential inroads from third and fourth player.

Tim Boddy, Goldman Sachs

Thank you very much.

Nick Lyall, UBS

Yeah, morning. It's Nick at UBS. Could I ask: on the Italian comments you made, Andy, about cost, could you expand a bit on the cost that you might be able to cut from the business so we could see – or at least try and calculate some potential effect on margins for the full year? And then secondly, on Spain, you mentioned again the access to Telefónica's vertical fibre. Do you have any idea what price that Telefónica might be asking first, or what price the CMT sets, and do you think that's reasonable? Thanks.

Vittorio Colao

Let me pass the question to Paolo, but let me tell you that by definition, whatever price Telefónica asks is never reasonable, being an incumbent. So, Paulo, you might elaborate.

Paulo Bertoluzzo, Chief Executive Officer, Southern Europe, Vodafone Group

Yes, on the Italian cost structure, obviously we are taking all possible initiatives that do not affect our customers' experience, differentiation, and competitiveness, which we believe is 100% important to maintain in the market. The areas where we are working and already having a strong result are obviously, the rightsizing of our workforce, and in particular our support functions, including marketing and those which are not facing the customer or

delivering clear value to the customer. We have just finished a restructuring plan, with 700 people exiting the company, just to give you an example. Plus, the unitary cost of labour is going down at the moment, through an agreement with the unions. We are going ahead with network-sharing – passive network-sharing, with all the operators, which allows us not to dilute our differentiation on the network side but still achieve important opex and capex, and therefore cash, cost reductions.

We are pressing ahead on the customer service side: not reducing the level of service, but actually increasing the level of services through very advanced self-care, mobile-based self-care, which is giving a better service and higher interaction with the customer, but also making sure that we talk to the customers through our call centres when there is an important issue and we do it as professionally as possible to solve the problem. We're also looking at our commercial cost, as you can imagine, across the board. On Spain, the – as you know, we have reached an agreement on vertical sharing. The price attached to the agreement has to be set by the regulator, because it was impossible to reach an agreement on this one with Telefónica. For the moment, and this is not final, the regulator is setting a price which is above €170, which we believe is not the right price. And therefore we are challenging this, as the pricing between Orange and Telefónica, as far as we understand, is around €150 and therefore there is no reason why we should be higher. And our own view that the real cost to build, which we are seeing in our own experience, is more around €80 and therefore we are challenging this decision at the moment.

Nick Lyall, UBS

Okay, that's great. Thank you.

Simon Weeden, Citigroup

Yeah, thanks very much for taking the question – a couple, really. I wonder if – I think you've perhaps done it on the cost side, but I noted in the text of the Italian commentary that you refer to commercial performance as improved. Could you elaborate a little bit on what's behind that, and how you see the outlook coming out of the quarter? And second, on India, I wondered if you could address the question of spectrum and tax and whether or not you had any concern that the expiry of the 900MHz licenses could be used as a negotiating element in the discussions about future spectrum costs and tax costs with the government.

Vittorio Colao

Why don't I tell you, first of all, the settlement of the tax in India – as you know, we are talking about the process that can lead to a discussion, so it is what is called talks about talks. And I really don't feel that, you know, we can tell you anything more than in good faith and with positive intentions, there are talks there. On the frequency thing, Nick, maybe you want to jump in?

Nick Read, Chief Executive Officer, Middle East and Asia, Vodafone Group

Yeah. I mean, just in terms of spectrum, as you probably know the EGoM has referred the issue of spectrum reserve pricing and both the 900MHz refarming to the regulator, so that'll add a couple of months and process and consultation with the operators as well. So I imagine that the auction probably will end up being around November, because of course they've got to get it in before the elections early next year. Just to your point of the 900MHz spectrum, of course, we are legally disputing the fact that they are allowed to refarm it, and that will be heard in the Delhi High Court at the end of August. However, in good faith, we engaged with the DoT on the 900MHz licence extension process and pricing, and as you know, we put recently a proposal forward on what we felt was a fair and reasonable basis.

Paulo Bertoluzzo

On the commercial performance in Italy: yes, in fact, in the quarter – just to give you one element – we've been positive on net additions in consumer, which was a negative performance on the previous quarter. And this has been enabled by the fact that we have right-sized our premium. We were – when the price war began about a year ago, we did try to not go into it and let our price premium to increase a lot, to try and cool it down. But then we have right-sized about four months ago, three months ago, and suddenly our commercial performance improved again and there has been a net positive on profitability in the quarter.

Simon Weeden

Great. Thanks very much.

James Britton, Nomura

Thanks very much. I've got a few strategic questions around smartphone costs. Are you seeing any deflation in average smartphone costs yet, and what are the sort of key drivers for this, going forward? Is consumer interest in the flagship €500 devices starting to reduce, and what percentage of your European customer base might be attracted to the Vodafone Smart handset range? And then, finally, is there a natural landmark when you might renegotiate your Apple contract on iPhones? Thanks.

Vittorio Colao

On the Apple renegotiation, I would not like to talk too much, because these are confidential discussions. Of course, the only comment I can make is that there is much more choice in the market today than a few years ago, and especially at the high end there are super high-performing Android and also Windows phones now, so it is a better situation than the regional one but I would not comment more than that. On smartphone price deflation, I would say that there is some deflation, but to be honest the best thing is that there is much more choice at all levels in the market, and therefore we feel more comfortable that the acceleration – or the continuation – of the smartphone penetration, which in Europe is progressing well, will continue to progress at affordable or logical acquisition costs. Does that answer your question?

James Britton

Yes. I guess the hope has always been that the mass market is drawn to, perhaps, less expensive smartphones, which might improve your smartphone economics over time. I just wondered whether or not there was evidence of that at this stage.

Vittorio Colao

Yeah, there is a little bit of evidence, but I would not describe it as a game-changer, because of course there are cheaper handsets but those at the value or the price of the high end is coming gently down. So, at the end of the day, there are some improvements but you are not talking about a revolution in the economics of mobile broadband.

James Britton

I had one last one on Vodafone Smart. You introduced a few handsets in that range recently. What's the target market for Vodafone Smart in both Europe and emerging, I guess?

Vittorio Colao

I guess it's fairly simple people who want good, very well-equipped and fast – which is the real thing of the Smart 3 – phones at an affordable price level. So youth, first-time adopters of smartphones, and in general, people who cannot afford a big commitment, keeping in mind that what we are trying to do with Vodafone Red is also to make customers choose the price plan that they need – which could be very generous – and then select how much more they're willing to pay to get a certain handset. So you want an iPhone, you're going to pay whatever, 10 more per month. You want just to have a great data experience with the same generosity of data, the same unlimited voice and SMS, but you're not willing to add another 10, you can still do with the Vodafone Smart and you still have one GB per month, or whatever. The way to enable a lot of data and higher-end – let me call it – service plans without having to load the cost of a Galaxy or an Apple, so again, good for the mid segment of the market.

James Britton

Okay, thanks.

Nick Read

Vittorio, just in terms of emerging markets, probably worth just noting that in terms of price points for handsets on 3G, you go a year back and \$100 in India, we had no handsets at all. Now we have about eight to 10 handsets, which is really opening up the market, and so you're seeing that in the data performance. You know, browsing revenue in India was up 70% year over year. 3G was up 190%, and 2G up 60%, so now 3G is representing 30% of the browsing revenues.

James Britton

Interesting. Thanks very much.

Akhil Dattani, JP Morgan

Hi, good morning. Just three questions, please, for me. Firstly, on Southern Europe, if we look at the KPI trends that you report, we've seen what looks to be some sort of improvement in Spain, Greece and Portugal in terms of the voice and data traffic trends that you're reporting, so there seems to be quite a healthy tick up this quarter. I just wondered if you could comment on what you feel is driving that – is there any sort of hope within that that Southern Europe is stabilising, or maybe shows some signs of improving, or do you think it's too early to make that read-across at this stage? Second question is just in terms of mobile termination rates. If we look at the next few quarters, there seem to be quite a few big swing factors coming up, particularly with regards to Spain and Turkey, so I just wondered if you could walk us through some of the big moving parts here and help us understand how that might shape the service revenue performance at the Group level over the next few quarters. And then, very finally, we've had a few comments from some of the US telco peers in the last few months, suggesting that from their standpoint whilst regulation is clearly very severe in the European space, they also feel that European wireless operators are under-investing in capex. So just keen to kind of get your thoughts on those comments, and how you think about that. Thanks a lot.

Vittorio Colao

Why don't I take the last one, Akhil, and then I pass to Paulo the Southern Europe one and to Andy the MTRs one. I don't know who are the peers who say that there has been underinvestment in wireless, and I don't know whether they were referring to Vodafone or not. I mean, as far as we are concerned, we don't think we have underinvested anywhere. The percentage of investment, if anything, has gone up a little bit. The absolute amount – I always repeat it – for Vodafone has never gone down, even in the years of darker recession. We have, as I said, about 100% of our footprint at 14.4Mbps at least, and 50% at 43.2Mbps. And, I mean I didn't do it today, but I always report the congestion and the saturation – sorry, the saturation and the average utilisation of the network. I didn't do it today, because it is boring, because it is always the same two numbers: it's always 35 and 7. So, I would say that all objective parameters for Vodafone say that we have a quality network, we invest the right amount, and we give the right experience, which is why I said in my earlier remarks we are becoming stricter in our approach to MVNO wholesale, all these deals, because if there is a value, the value has to be more and more under the Vodafone brand. Paulo, you want to comment about Southern Europe, and Andy about MTRs?

Paulo Bertoluzzo

Honestly, I believe it is too early to say that we see improving trends in Southern Europe, because the environment remains very difficult, both macroeconomic environment and competitive environment. Obviously, we are taking action; we are taking important actions in each of the markets. I have just commented on Italy; let me just give you a couple of comments on the others. Spain, we have Red, which is helping a lot in our performance,

both in terms of acquisition but also in terms of churn management and ARPU management; we actually had a good performance on ARPU in Spain, plus we are starting to have some positive results on fixed broadband, where we are net positive and gaining market share, month after month.

Greece, we are winning market share in pre-paid, which is an area that has been historically weak for Vodafone.

Portugal, again, we are learning how to compete in a more convergent market; we are slowing down our losses towards an incumbent and most importantly, we are starting to see a strong traction in our own fixed offers, in our own fibre-based fixed offer in the footprint that we are building. We see this growing week after week.

Andy Halford

Yes, on the MTRs, a lot of moving parts; particularly, as you referred to in your question, the most significant impacts in the next quarter will be in Turkey, and then in Spain and the Netherlands. Offsetting that, we have got lapping effect of Italy, which will give us a little bit of relief. I think the way I would look at this is, last year we had just over a 2% drag on our MTRs; the first quarter this year is 2.8%; I would be thinking the second and third quarters remain in the high-2s, and then we should drop down a fair amount in the fourth quarter, and next year should be significantly lower.

Philipp Humm

Maybe to add to this one, specifically to Turkey, I mean, we have a strong reduction on MTRs, on SMS and voice, which basically means we have to expect, going forward, that the reported revenue will be obviously lower. But overall, the move is, for us, EBITDA accretive, so from an EBITDA point of view, it is positive in Turkey.

Akhil Dattani

Thank you very much, very useful.

Jerry Dellis, Jefferies

Yes, good morning, thank you for taking my questions. Two questions please: the first one is on customer costs. You mentioned that in Germany, the need to defend market share has led you to respond to T-Mobile's higher handset subsidies; and in Spain, I suppose you are now back to subsidising and you are lapping last year when subsidies were withdrawn for most of the time. So I wondered if there were any markets where customer costs are actually now trending down, and whether perhaps these are enough to offset the upward pressures in Germany and in Spain.

Secondly just on roaming, there is clearly a very well-defined framework for roaming regulation within the EU, yet there continues to be talk from Ms Kroes' office and from MEPs, seeming to mandate something more aggressive. There is obviously a resolution to be voted on in the European Parliament in September. The question is, really, when you sit down and actually talk to these various politicians outside of the public gaze, what

conclusions are you drawing about what practical measures they might actually be intending to implement? Thank you.

Vittorio Colao

Yes, I will pass to Philipp the question on customer cost versus T-Mobile, and maybe, Paulo, you can also comment about Spain. Just a remark: let's be careful in not calling elimination of subsidies simply the splitting of subsidies from lower service revenues, because I can eliminate subsidy by simply lowering my service in-take and then giving to a finance company the job of selling the handsets. So let us look at the bottom line, not just at the accounting presentation. I am sure Paulo will comment on that.

Listen, on roaming, I take it again, because this is my hobby these days: yes, when you talk to them, which of course we do almost on a daily basis at this point, you clearly see that roaming is I think blown out of proportion; if you look at how much customers really travel throughout Europe and how much this is already taken care of with commercial offers, like the daily tariffs that we have 7 million people on, or the Vodafone Red, or the Enterprise tariff, you and I from an objective point of view would get to the conclusion that it is a little bit blown out of proportion.

Having said that, my impression, our impression, is that over time, roaming will go away; it will be more and more incorporated into price plans. The important thing, the thing we will fight for, is to make sure this does not become either a discouragement to new investment – i.e. people will say, 'Why invest, when in any case I have to give away very low wholesale prices on my own network?' – nor an incentive to basically kind of launch a European maxi-MVNO that again does not add any value, but simple arbitrages prices across countries.

In all fairness, I do not have the impression that this is the objective of the Commission, and I have the impression that the Commission is very aware that you need to preserve good conditions for investment, but also it is very clear that they want to find lower prices for people who generally travel.

So, our strategy will be to try to provide this, so lower prices for people who travel, but not destroying the investment to invest, and this is the negotiation line.

Philipp, commercial costs?

Philipp Humm

Yes, so on Germany specifically, you asked Jerry: our strategy on subsidies is to be a fast-follower to Deutsche, and we have and we will continue to spend less subsidies per customer than Deutsche does. So whatever Deutsche does, we are following but we will always command, if you want, a premium of basically subsidise less than they have. That's where we believe that we have a stronger brand and a stronger distribution in the marketplace.

Now, you asked about which of the costs are improving, to compensate the softness on revenues, and actually, all costs are improving right now. Direct costs are improving; a lot of it is volume-driven, obviously, but also MTR driven. Opex are improving and our A&R

is improving less per unit, but more simply because there is softness in the market on the overall volume side.

Paulo Bertoluzzo

If we comment on Spain, which is also a market which has seen a lot of movement around the subsidies, I think the situation in Spain, I have to say, is still a little bit confusing, or confused, because as Vodafone, we have maintained, technically, the subsidy model, but there is a clear distinction between the price for our services and a price for the device that the customer can choose on top of it. We see more and more SIM-only offers from us. Our competitors are trying different models, internal financing, external financing, but then they also had subsidies on top of it, depending on the period of the year, depending on the segment. So I think it is still a moving situation. I believe that in any case, if you compare the current environment with the environment that we had a couple of years ago, for sure, the unitary cost has gone down. I believe that the market conditions are actually stimulating all the players to continue to go down on these, on the unitary investment-side.

Jerry Dellis

Thank you very much.

Stephen Howard, HSBC

Thanks very much. I'd just like to, with apologies, return to the question of roaming. I guess we have covered this from a number of angles already, but I was wondering if you could perhaps be a bit more specific about the mechanisms that the Commission is proposing here. From your remarks a moment ago, Vittorio, clearly one of the options that seems to be on the table is demanding lower wholesale roaming rates, but have they put any options in front of you? Alternatively, have you had any counter-proposals for them that might take this issue forward in a more market-friendly mechanism? Thanks very much.

Vittorio Colao

Yes, Stephen, first of all, keep in mind that we are talking about internal assumptions of different positions. So, nothing is cast in stone yet, and keep in mind that you are talking about informal consultations and comparison of different positions. So the answer to your question is, yes, I think we have a very clear idea of where we would like to go and to some extent I think we have already indicated where we would like to go, because as I said, we have introduced daily tariffs; we have introduced a 'take your tariff abroad' concept. We have Vodafone Red, with roaming included for the high-end; and we have Enterprise plans, with roaming included. So it's very obvious that Vodafone likes to get to a commercial, if you want, resolution of the roaming anxiety. But I cannot say, you know, what is the position of us and them and other operators, because these are very fluid talks at this stage.

Stephen Howard

Okay, thank you.

Robin Bienenstock, Sanford Bernstein

Thanks very much. Two questions, if I may: isn't there a fundamental problem with your negotiating position vis-à-vis the EU, in that you are asking for the end of free-riding and MVNOs in wireless, but actually asking for more free-riding in wireline and doesn't that kind of cause you a problem? It looks like the current drop is actually giving you the opposite.

Then the separate question completely. Verizon reported slightly weaker margins, AT&T has forecast them so I'm wondering if you're getting worried about the US market becoming increasingly competitive and whether or not that diminishes your desire to own those assets. Thanks.

Vittorio Colao

I hope I will answer your question because unfortunately, you came across a little bit noisy. Especially, I think I understood the second one: are we expecting tougher times in the US, was this the second point?

Robin Bienenstock

That was the second point; the first point is, isn't there a fundamental inconsistency in your arguments, vis-à-vis the regulator, that you want free-riding when it comes to the wireline infrastructure and you want no free-riding when it comes to wireless infrastructure and that, actually, this draft regulation gives you the reverse in both cases?

Vittorio Colao

No, no, Robin. I totally and strongly reject your definition of 'free-riding'. I almost do it ideologically. Vodafone is the result of opening to competition and is the result of an investment, courageous investment strategy, country-by-country, in Europe and outside of Europe. No issue whatsoever and we always have demonstrated it, in competing and competing with anybody who gets decent conditions. We have no problem whatsoever with the fixed-line operators having to get good returns on their investment. I always said I am actually happy if they have a very good return. The problem is, of course, equality of competition and avoiding price squeeze. So, I would say that actually, to contradict your statement, our position is absolutely consistent with saying, mobile is competitive; mobile is open. People can access networks at very competitive rates. There is no need to get into regulated prices. Fixed, where it is less competitive; where there are dominant structures, where there are nationally, monopolistic infrastructures, we want fair conditions to be able to play the game. I have to tell you, we are completely supported in this position. Those who, a few months ago, said, 'Oh, the new regulation on fixed line is going to be bad for Vodafone', now are recognising that our position was, 'No, as long as you have good equality of inputs and non-price price squeeze test, this is going to be good for us'. I think it is going to be good for us and for the incumbents also. So, it is

absolutely the opposite; it is consistency of position; competition plus return on investment.

Sorry, the second one was the deterioration of the US markets?

Robin Bienenstock

Yes.

Vittorio Colao

Yes, on that one, I have to say, for the time being, I see structural conditions in the US markets which are pretty good. There is more consolidation of smaller players, there is very healthy competition within different operating systems, and the adoption of price-plans which, as you know, are the same concept of Red. So, family plans, multi-device plans and so on, is progressing very well.

Could it be that the new ownership of Sprint can create a more competitive Sprint player? Yes, it could, but again, this is not going to change structurally the market. It will make it a little bit more intense, but structurally, I see a pretty attractive market for a number of periods in front of us.

Justin Funnell, Credit Suisse

Thank you, yes, a few questions please. The first one is to Germany. Obviously nobody really wanted an auction but now there is probably going to be an auction, I just wondered what you were thinking about the 1800 spectrum. Obviously, Deutsche Telekom are building LTE at 1800 in the cities; it looks like they will be outgrowing you this quarter. Do you think it is giving them an advantage and do you think that, actually, having some more 1800 at the right price would be interesting for you?

Secondly, you know, investors are saying that because things have gone quiet about the discussions in the US about a stake sale, that must be a sign that something's about to happen. Any comment on that?

Thirdly, India returning to growth of 14%, having slowed down. I just wondered if you could describe a bit the potential of that market. Is this a growth rate, double-digit, could continue for a while? Could we see markets expand? Could this finally provide some good upside for investors?

Fourthly – sorry the number of topics – on tiering as well, obviously tiering is starting to work really well in the US; LTE adoption is strong, usage growth is strong. It looks like you are getting an early sign of the same thing. Are you seeing any early signs of tiering starting to work better as well, please?

Vittorio Colao

Justin, on tiering, I am not sure we can really say that we have seen – assuming that what you call 'tiering' is really the upgrade to higher data plans, right?

Justin Funnell

Yes.

Vittorio Colao

This is your question on tiering, I guess?

Justin Funnell

Yes, that's my question.

Vittorio Colao

No, I don't think we can have a definitive conclusion that there is a positive financial stake. I think from a customer perspective, they like it, so there is more usage. But I cannot say that I see a tiering benefit yet.

Let me turn Germany to Philipp, and India to Nick Read.

On the US, to be honest, if there is noise, you think that something is going to happen. If there is no noise, you think that something is going to happen. The only thing I can tell you is, if something happens, we will promptly inform you, regardless whether it is noisy or quiet. That is the only thing I can say. Nick?

Nick Read

Yes, just on India, I just say, yes, this was a very strong quarter. As Andy explained, our average base was up 3%, quarter-over-quarter, and we are capturing more of the minutes on our primary SIM, as the smaller players exit the market. So you are effectively getting consolidation. It has allowed us to harden pricing, so pricing is up 6% quarter-over-quarter. And, of course, we have got the data revenue growth at just under 50%, so structurally, you look at India, it looks very favourable. Of course, there are always pockets of competitive action, so you know, we might have to defend our position in certain circles; and of course, just regulator noise. We have had three regulatory small hits, national roaming; SMS termination, VAS, which might drag us about 1.5% growth, going forward, from quarter two onwards. So, you know, a little bit of draught there. And in terms of margins, we have said we would, once hitting scale, go up to 30%-plus margin, and I think we are tracking well for improvements along those lines.

Philipp Humm

Last but not least on Germany, on LTE rollout, we don't see any capacity issues at this point in time; we are focusing mainly on rolling-out the data with 1800 LTE; and improving further, coverage. We are covering, right now, already more than 66% of the population, so that is our main focus, to do that; and to continue to promote 4G services. As you know, we will have new auction for being effective in 2016, but it is still at a discussion stage. The discussion is to re-auction the 900, 1800 and reserve part of it for the existing MNOs, who are already spectrum holders. We are in intense discussion with the

regulators to hopefully shape it in a way which is positive for us from an economic and a capacity point of view.

Justin Funnell

Okay, thank you.

Nick Delfas, Morgan Stanley

Thank you very much; I hope you can hear me okay. Just a quick one on the roaming issue again: do we know which data network other operators would have access to? So would it be to your 4G, newly-invested network, or would it be to a slower network?

Secondly, if the Commission persists in coming out with a low wholesale price without doing any cost methodology process or looking at whether you have significant market power, are there any effective legal avenues open to you to bring that to judicial review? Thanks.

Vittorio Colao

Yes, Nick. I understand, as I said, this is the hobby of these days. As I said in my earlier answer, I guess, to Stephen this is still undefined, so I don't have any detail and these are talks. So I don't have any detail; I am not even sure that people have thought, for sure – I would expect that if governments want to sell spectrum, and especially governments in large countries, who want to sell spectrum at high prices, they will make clear to the Commission that the Commission cannot set up arbitrarily low wholesale rates on new technologies, because the next auction will be, in Germany or in any country with 50 million people, or 60 million, will be a disaster. What probably will mitigate the more extreme ideas is also the fact that the member states might object to a reduction in value of their spectrum. I think common sense will prevail.

On legal, of course; of course there will be eventually some judicial reactions that I am sure some operators will consider, or potentially some member states will consider against decisions which are not just, or intervention is – a regulation which is not justified by spectrum auction conditions and other stuff. But it is early to think about those things. As I said, I always like to think that our industry can find commercial solutions and not regulated or legal solutions to issues.

Nick Delfas

Thanks very much.

Andrew Beale, Arete Research

Thanks. First of all, a quick clarification: data attach rates have declined sequentially in Northern Europe this quarter. Have you changed that measurement or is it something else that is going on in the market that we should be thinking about?

Then, I wanted to come back to an earlier question around network investment in Europe. Smartphone data usage is still low in Europe; around a quarter of the US levels. I guess that low usage makes you more vulnerable to MVNO-based competition who can arbitrage banking on low average data usage. I think it is AT&T's CEO that sees the merit in accelerating capex for 1800 LTE in Europe, and vastly improving the data experience; and that would drive data traffic pretty hard. So what is it that's wrong with Randall's analysis of a missed opportunity for the European players here?

Vittorio Colao

Andrew, I would say, why don't we pass the question to Philipp on Northern Europe attached rates, and I couldn't hear very well – unfortunately there is a problem today with some of you, not all of you, but some of you – I think you were asking again the question of, can more investment in data trigger more data usage in Europe, this was the question?

Andrew Beale

Yes, and it is Randall of AT&T that sees merit in accelerating capex for 800 LTE, and really, what is wrong with his analysis and is it a missed opportunity?

Vittorio Colao

I got it. I resist the temptation to give a flippant answer to the Randall AT&T thing, given the level of personal experience I got last week in a remote area of the US with the AT&T network; it seems to me that if you look at our statistics of usage on 3G and performance, if you compare to the US average data experience, Europe is much more advanced. So, I am not sure I understand where and what much more investment would create a benefit given the fact that today, I regularly have in Rome, in London, in Dusseldorf, six, seven, eight, nine megabit per second on my iPad and on my smartphone. Having said that, I am not in the opposite camp, which is the camp of people who say you shouldn't invest because in any case, it doesn't make any difference. So, as I said, constant investment, continuous upgrade of our network; now half of our network is at 43 Mbps which is not the case of the US networks, of the old generation; and getting to a target of 50% – 40-50% LTE by 2015, I think is the right thing to do in Europe.

Philipp, on the other question?

Philipp Humm

Yes, on the data attach rates, there is no change in our commercial nor our accounting policy. So, I think the key driver is probably the country mix, as Turkey is gaining more momentum, relative to the other, let us say, traditional Northern European countries, in the overall customer base. That will probably provoke some statistical impact. Our IR team can give you more details hereafter to maybe verify that point, but I would think that should be the main driver behind it.

On the point earlier, on smartphone penetration, may we just say a few points. A lot of it is also an opportunity which we are focusing on which is why we drive Red; which is why we drive Red Family; which is why we have launched in some markets Red Pre-paid;

which is why we are looking at lowering with our own device line, the smartphone entry devices, so that we can also offer them at attractive prices for prepay customers. So it is more of an opportunity for us going forward to be able to tap into that market as well. So not only India which can basically grow smartphone penetration at low cost; it is also Europe that can do that.

Andrew Beale

Sorry, can I come back to that data-attach question first of all? Your reported numbers are down in Germany, UK, Holland and Turkey, on an individual-market basis, so it just seems that maybe there's some other change that's happened there.

And just coming back, Vittorio, to you on the US-versus-Europe experience, it seems to me that the biggest difference is a rollout of 3G in the US at sub 1 GHz, which gets you a better average experience wherever you are in building and so on, whereas, in Europe, 3G is at 2,100, largely because I know there's a bit of 900 HSPA. It's that difference that means the man on the street's experience is not as good, although I totally understand that, where it works in Europe, it works pretty well.

Vittorio Colao

Andrew, I'm sorry, I don't recognise what you say. I think that the experience in Europe – and, again, at least I talk about the Vodafone experience; I don't know about the others – is, on 3G, with, as I said, half of our network being at 43, and with all the optimisation techniques that we use, is pretty good. To be fair, it's not as good as the Verizon 4G when they have introduced 4G in a massive way, but, to be honest, from a customer perspective, you can watch videos, you can have uninterrupted streaming, in most of the places where you need to do that. So, I think we have a difference of opinion here, and fine, we will keep debating, but I am pretty convinced that we have a good experience in most... And at least the customer reports are not about bad experiences with data. So, a difference of opinions.

Andrew Beale

And anything on the data-attach rates or otherwise? Thank you.

Philip Humm

I'll come back to you on that one, must be a statistical blip.

Andrew Beale

Thank you

David Wright, Deutsche Bank

Good morning, guys. Thanks for taking all these questions. Just very briefly, the buyback is completed. Should we assume there is no intention to launch an incremental buyback,

obviously with a little bit more pressure on the gearing? And just following on from that, with the Kabel Deutschland deal completed, you've talked about the pro forma 2.4 times leverage. I think, Andy, historically, you've said that you're okay with that level and the BBB rating, but I guess, if we do have cash flows down this year, if we have potential spectrum payments in India, whatever might happen with the Verizon dividends, not so clear, but maybe, next year, they could certainly be a little bit trimmed. Do you feel comfortable at that level or is there a fairly accelerated need to bring that down? And also, does that 2.4 level now pretty well mean that there's not really M&A in terms of acquisitions on the cards? Thanks.

Andy Halford

Yes, David, a variety of questions, I guess, in there. So, first of all, buybacks: no, no current intention. Clearly, having decided to make the investment in KDG, with the gearing being higher, then we will focus over time on reducing the level of debt rather than on buybacks. Secondly, the 2.4 times, I think, is a comfortable level if you look at the collective of the cash generation from the controlled operations, the medium-term US dividend flow etc, I think we are in a sensible space on that, and hence am very comfortable with that. The balance sheet is not fully stretched at that level, but is obviously a little bit more geared than where we are at the moment. So, I look at this from most angles and I think we're in a reasonable space, even with the level of gearing a little bit higher and, over a period of time, no doubt, we'll look to trim it a bit, but I think we're in a very comfortable position.

David Wright, Deutsche Bank

I think that's very clear. Thanks very much

John Davis, Santander

Good morning. I wonder if you could talk a little bit about the in-bundle revenues and specifically the typical contract length you have remaining, and has that varied over time? So, I'm wondering if you've managed to extend the forward revenues you can expect over time, as well as improving the proportion of revenues that are contracted. Thank you.

Andy Halford

Yes, let me pick that up. Over a period of time, if you go back over the last three or four years, I think we've moved from an 18-month contract as being the norm to 24 months as being much more the norm now, and clearly it takes a period of time for new customers to come onto new contracts, so the weighted average has risen during that period. I don't have a specific number to mind, but the average contract duration has, over the last three or four years, risen slightly over time.

John Davis, Santander

Thanks

Mandeep Singh, Redburn Partners

Thank you for taking the question. I'd like to ask Andy a question relating to just the general trend in group service revenues. I recall at the last quarterly call it was suggested that the minus 4.2 was, hopefully, the bottom and things would be improving. Clearly, there's a 70-basis-point improvement, helped somewhat by working days. Are you still confident we're at the bottom in terms of service revenue trends on a going-forward basis? Thank you.

Andy Halford

Yes. The thing that is clearly weighing us down at the moment is, in part, the MTR effect. As I said earlier, to be in the high 2s is higher than our recent trend over the last two or three years, so, realistically, we are going to see more down draught from that over the next couple of quarters, as I said earlier on. Thereafter, that does improve. And I think, as we have seen in the first quarter, there's been some ups; there's been some downs. Germany has been more challenging; India has done really, really well. So, if I step back and look at it overall, I'd say, for the second quarter, I think we'll be in the same range as we've been in the first quarter, and then, as we get to the back end of the year, with the MTR effects starting to come off, that should pick things up a little bit.

Mandeep Singh

So, if I understand that, we're going to be at this sort of level and getting better fourth quarter and into next year.

Andy Halford

Yes.

Mandeep Singh

Thank you

James Ratzert, New Street Research

I had two questions, please. The first one was just regarding your emerging-market businesses. You've seen a very sharp acceleration in data-volume growth this quarter, and that's also led to a good improvement in revenue growth. I was wondering if it's possible to differentiate what you see as different in emerging markets that has allowed that acceleration to happen, whereas we're struggling to see that happen in Europe.

And the second question was a broader question: I was wondering if I could get your thoughts, in Europe, on what you made of the potential for new competitors coming into

the market using small-cell technology Wi-Fi – I'm particularly thinking of some of the cable operators, potentially British Telecom in the UK. How do you see that threat developing and how seriously do you think that could impact your business over the next few years? Thank you.

Vittorio Colao

Thanks, James, two broad questions. Let me take both of them at the very high level, and maybe Nick can add something. First of all, what is happening in emerging markets is what we said would happen. It's low voice prices and then data comes, and then there is no fixed infrastructure, so people spend a little bit more to use data applications which are very useful because of the lack of fixed infrastructure, but this is not a replacement for voice and, therefore, one is additive to the other. In mature markets instead, high-price voices, the same take-up of data is happening but, of course, this is happening at the moment where voice actually goes down in revenue terms, because it was priced more expensively. So, here, there is a line going down, a line going up, and the net effect is stable or marginally declining, which is why we have always been very optimistic on emerging markets, because we knew that, when 3G comes, actually, the potential exploitation of the market is much higher, because there is no replacement effect.

On new competitors, small-cell, Wi-Fi and so on, I would say that technologies are being mashed together. We are becoming... The whole industry is becoming much less religious on access technologies. We use, ourselves, Wi-Fi more. We will incorporate Wi-Fi into our base new stations, so the new-generation base stations will have Wi-Fi incorporated. We are now, today, with an RFP, or RFQ, for small cells. So, we will integrate all technologies, sometimes owning them, sometimes leasing them, and I suppose other players will do the same, and the competition will be basically for the data needs of the customers, not necessarily for the mobile-only needs. So, more competitors, yes, but also more ways to reduce our costs and to manage our capex efficiently.

James Ratzler

Once you've finished building out 4G over the next few years, do you then see small cells as being the major driver of your capex, looking forward on a five-year view?

Vittorio Colao

No, that's not... In the scheme of things, it's not a big number, but we will develop depending on the topology and the density of usage. We will deploy all solutions and, as always, we'll end up in different situations in large, urban, dense areas versus rural, and at the end of the day all spectrum frequencies and all technologies will be mashed up to deliver whatever is the lowest-cost solution per GB or per MB or per whatever. So, I think it's going to be a mix.

James Ratzler

Thank you

Closing Comments

Vittorio Colao

So, first of all, thank you very much for all of your questions, and apologies if I couldn't hear some of them. Before concluding the call, I would like to recap the three key points:

- First, yes, there is some challenge in Europe, but emerging-market businesses are recording strong growth in revenues, in customers and in data.
- Second, we continue to make progress in future-proofing our revenue through integrated voice plans, and Vodafone Red is central in that.
- And finally, again, in another... I think it's the third time in a row, our unified communication strategy is progressing and, each quarter, we are adding another piece of the puzzle. This time, we had positive developments in Germany, Italy and Spain.

So, thank you very much for participating in today's call and I look forward to meeting you in person.