# Vodafone Group Plc

## Half-Yearly Results

**for the six months ended**
**30 September 2008**

# Presentation

**Tuesday 11 November 2008**

# Vodafone Group Plc
# Half Year Results

Vittorio Colao, Chief Executive

11 November 2008



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# Agenda

- **Results overview**
- **Financial review**
- **Business review**
- **Strategy review**
- **Q&A**



# Group summary

**Continuing operations**

| | H1 08/09 | Growth | Organic |
|---|---|---|---|
| Revenue | £19.9bn | 17.1% | 0.9% |
| Group EBITDA | £7.2bn | 10.3% | (3.2%) |
| Adjusted operating profit[1] | £5.8bn | 10.5% | (1.0%) |
| Free cash flow[2] | £3.1bn | 15.9% | |
| Adjusted EPS[1] | 7.52p | 17.1% | |
| Dividend per share | 2.57p | 3.2% | |

[1]Adjusted operating profit and profit for adjusted EPS excludes non-operating income and expense (including associates), other income and expense, impairment losses, certain foreign exchange movements, amounts in relation to put rights and similar arrangements and tax thereon. [2]Excluding licence and spectrum payments.

## Outlook: Increased cash flow guidance

| FY 08/09 £bn | Previous guidance | Operational | M&A | FX | Updated guidance |
|---|---|---|---|---|---|
| Revenue | Around 39.8 | (1.0) | 0.2 | 0.3 | 38.8 – 39.7 |
| Adjusted operating profit[1] | 11.0 – 11.5 | (0.4) | - | 0.4 | 11.0 – 11.5 |
| Capitalised fixed asset additions[2] | 5.3 – 5.8 | (0.2) | 0.1 | - | 5.2 – 5.7 |
| Free cash flow[2] | 5.1 – 5.6 | 0.1 | (0.1) | 0.1 | 5.2 – 5.7 |

[1]Excludes non-operating income (including associates), impairment losses and other income and expense. [2]Excludes licence and spectrum payments.



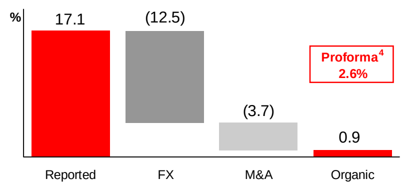
# Financial review

Andy Halford, Chief Financial Officer

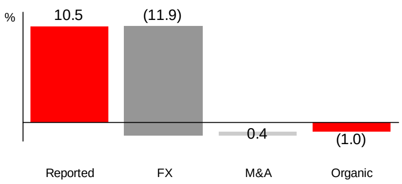
# Group income statement

| | H1 08/09 £m | Change % |
|---|---|---|
| **Revenue** | **19,902** | **17.1** |
| EBITDA | 7,243 | 10.3 |
| EBITDA margin | 36.4% | (2.2)pp |
| **Adjusted operating profit[1]** | **5,771** | **10.5** |
| Net financing costs | (483) | |
| Tax | (1,274) | |
| Minority interests | (29) | |
| Adjusted net profit | 3,985 | 17.3 |
| Impairment | (1,700) | |
| Other adjustments | (145) | |
| Profit for the period[2] | 2,140 | |
| **Adjusted earnings per share[1]** | **7.52p** | **17.1** |
| Adjusted EPS excluding AIAA[3] | 8.29p | 17.4 |

## Revenue growth analysis




## Adjusted operating profit growth analysis[1]

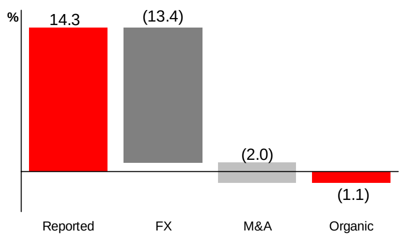



[1]Adjusted operating profit and profit for adjusted EPS excludes non-operating income and expense (including associates), other income and expense, impairment losses, certain foreign exchange movements, amounts in relation to put rights and similar arrangements and tax thereon. [2]Attributable to equity shareholders. [3] Excludes acquired intangible asset amortisation, net of tax and minority interests. [4] Assumes the Group owned India for both years at constant exchange rates.

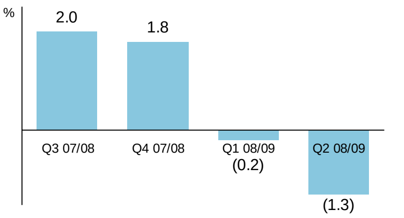


# Revenue analysis: Europe

## Total revenue growth analysis




## Quarterly organic service revenue growth[1]



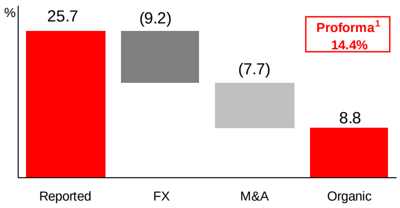

- Average €1.26 rate (down 14.4%)
- Key organic drivers
  - Continued outgoing voice pressures
  - Incoming rate cuts lower growth by 1.3pp
  - Partly offset by data growth

- Q1 driven by Spain, stable elsewhere
- Q2 drivers
  - UK declined by 1.7% (Q1: +2.0%)
  - Spain stabilising at -2.2% (Q1: -2.5%)
- Enterprise +3% in H1

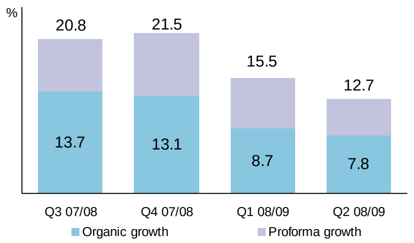
[1]Adjusted to exclude £30m UK VAT refund received in Q2 07/08

# Revenue analysis: EMAPA

## Total revenue growth analysis




## Quarterly organic service revenue growth




- FX impact mainly in Eastern Europe
- M&A primarily from India
- Drivers of organic growth
  - Customer growth
  - Growing contribution from data up 56%

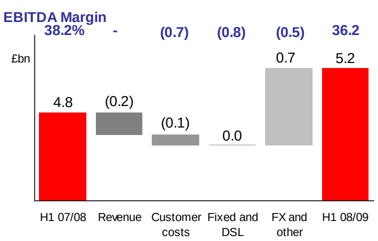
- Q2 drivers
  - Turkey declined by 2.1% (Q1: 3.7% growth)
  - India growth slowed to 34% (Q1: 46% growth)
  - Other operational trends broadly stable

[1] Assumes the Group owned India for both years at constant exchange rates.

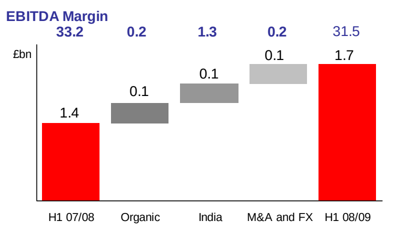


# EBITDA drivers

## Europe




## EMAPA

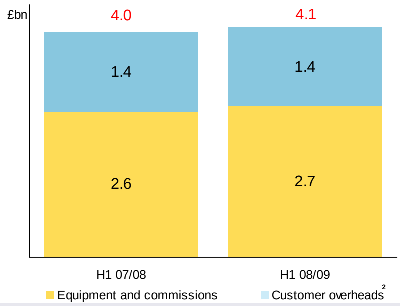



- Higher mobile customer investment
- Termination rate cuts lower margin by 0.2pp
- Fixed/DSL investment - 0.8pp margin impact

- Stable organic margins
- Investment in growth in India
  - Strong customer growth
  - Market price and cost pressures

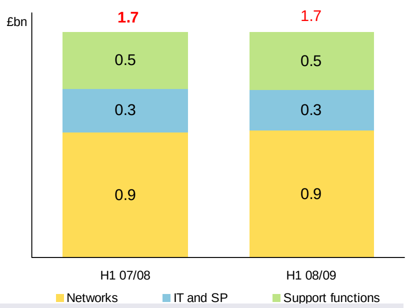
# European costs

## Customer costs[1]




- Stable customer management costs
- Higher unit equipment costs and volumes
- A&R % of service revenue up 0.7pp to 14.3%

## Operating expenses[1]

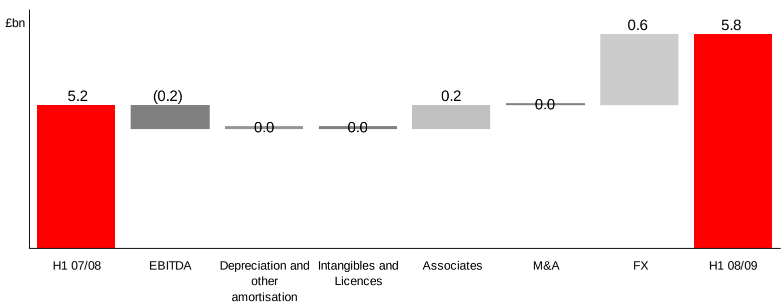



- Tight control over operating expenses
- Executing key cost programmes
- Voice usage up 9%, data almost doubled

[1] All figures relate to Europe region plus common functions on an organic basis. [2] Overheads include marketing, sales & distribution and customer care costs



# Adjusted operating profit[1]

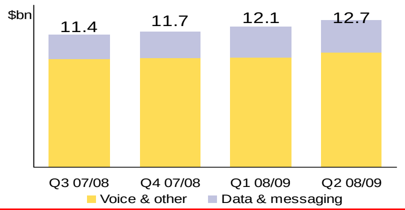



- Lower EBITDA from revenue pressure and higher customer investment costs in Europe
- Continued strong operational performance by Verizon Wireless
- Positive FX impact mainly from the Euro

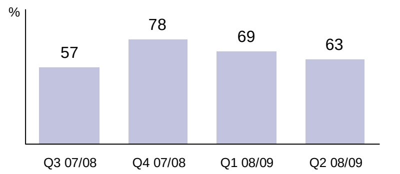
[1]Adjusted operating profit excludes non-operating income and expense (including associates), impairment losses and other income and expense

## Verizon Wireless: Continued double-digit growth

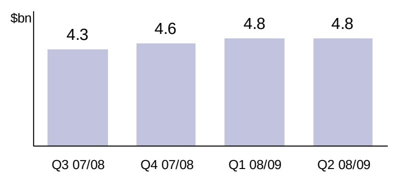
**Revenue[1]**



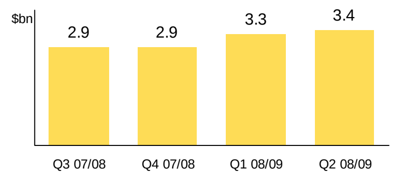

**Share of postpaid net adds[2]**




**EBITDA[1]**




**EBITDA less capex[1]**




[1]Financial highlights based on a 100% constant currency IFRS basis. [2] Based on 4 national US operators only



## Financing costs

| | H1 08/09 £m | H1 07/08 £m |
|---|---|---|
| Net financing costs | (370) | (394) |
| Dividends from investments | 108 | 72 |
| Potential interest on tax | (221) | (200) |
| **Adjusted financing costs** | **(483)** | **(522)** |
| Foreign exchange | 86 | (90) |
| Put option arrangements | (346) | (286) |
| Investment income and financing costs | (743) | (898) |

- Higher Euro interest rate offset by lower US$
- 18% higher average net debt – driven by FX
- H1 mark to market gains on swaps
- Higher interest costs expected in H2

# Taxation

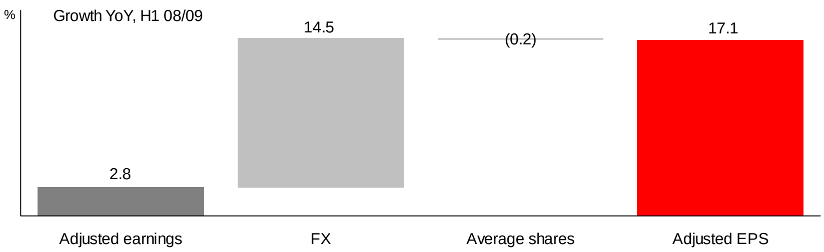
| | H1 08/09 £m | H1 07/08 £m |
|---|---|---|
| Adjusted operating profit[1] | 5,771 | 5,223 |
| Net financing costs | (483) | (522) |
| Share of associate tax & MI | 216 | 250 |
| **Adjusted profit before tax[1]** | **5,504** | **4,951** |
| Tax | 1,274 | 1,267 |
| Share of associate tax | 185 | 222 |
| **Adjusted tax[1]** | **1,459** | **1,489** |
| **Effective tax rate** | **26.5%** | **30.1%** |

- Effective tax rate down 3.6pp
- Improvement over high 20s guidance
- Ongoing improvements in structure
- Targeting similar rate for medium term

[1]Adjusted to exclude non-operating income and expense (including associates), impairment losses, other income and expense, certain foreign exchange movements, fair value movements on put rights and similar arrangements and tax thereon.



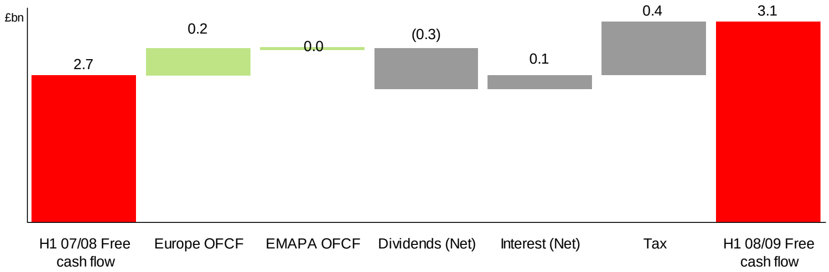
# Adjusted earnings per share[1]




- Lower effective tax rate contributes 4.6% to adjusted EPS growth
- Neutral impact from net financing costs despite higher debt and average interest rates
- Significant impact from foreign exchange movements, mainly from the Euro
- Greater impact from share purchases in H2

[1]Adjusted earnings per share excludes non-operating income and expense (including associates), impairment losses, other income and expense, certain foreign exchange movements, fair value movements on put rights and similar arrangements and tax thereon.

# Free cash flow[1]



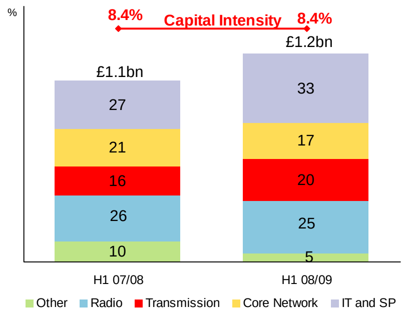

- Free cash flow up 16% excluding licences and spectrum
- Europe continues to generate nearly 85% of group operating free cash flow
- Increasing EMAPA capex funded from cash flows
- Free cash flow per share of 5.85 pence

[1]All references to free cash flow and operating free cash flow excludes licences and spectrum payments

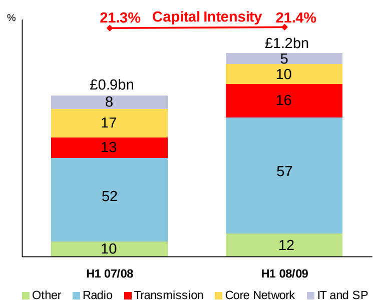


# Capital expenditure

## Europe[1]




## EMAPA




- IT: Software development & DSL integration
- Continued focus on backhaul

- £0.6bn spent in India (H1 07/08: £0.4bn)
- Focus on radio coverage

[1] Includes Europe region fixed asset additions plus common functions

# Net debt

| | H1 08/09 £m | H1 07/08 £m |
|---|---|---|
| **Adjusted free cash flow** | **3,101** | **2,675** |
| Qatar licence | (647) | - |
| Other licences & spectrum | (25) | (14) |
| Free cash flow | 2,429 | 2,661 |
| Acquisitions and disposals | (786) | (5,973) |
| Qatar contribution | 591 | - |
| Put options | 77 | (2,431) |
| Equity dividends paid | (2,671) | (2,334) |
| Share purchases | (963) | - |
| Foreign exchange | (987) | (322) |
| Other movements | (258) | 195 |
| **Net debt increase** | **(2,568)** | **(8,204)** |
| **Opening net debt** | **(25,147)** | **(15,049)** |
| **Closing net debt** | **(27,715)** | **(23,253)** |

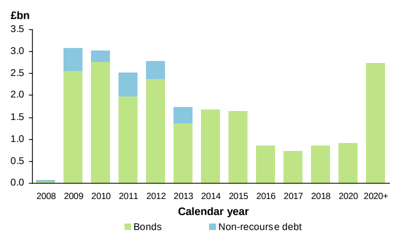
- Acquisitions and disposals:
  - £0.4bn Arcor minorities
  - £0.5bn Ghana acquisition
  - Bharti proceeds of £0.1bn
- £1bn share purchases completed
- Foreign exchange impact from US$
- Low single 'A' credit rating



# Liquidity

| | 30 Sep 08 £m | £m |
|---|---|---|
| Cash and cash equivalents | | 1,134 |
| Other financial assets | | 599 |
| Short term borrowings | | |
| - Commercial paper | (2,326) | |
| - Bonds | (2,547) | |
| - Bank loans | (609) | |
| - Other | (301) | |
| Total short term borrowings | | (5,783) |
| Long term borrowings | | (21,078) |
| | | **(25,128)** |
| Put option liabilities | | (2,587) |
| **Net debt** | | **(27,715)** |

## Debt maturity profile[1]




- $9.1bn 3 & 4 year committed undrawn facilities
- Maturities of <£3bn per annum
- Conservative counterparty limits
- Interest rates fixed for periods up to 18 months

[1] Includes bonds and non-recourse debt

# Outlook

| FY 08/09 £bn | Previous guidance | Operational | M&A | FX | Updated guidance |
|---|---|---|---|---|---|
| Revenue | Around 39.8 | (1.0) | 0.2 | 0.3 | 38.8 - 39.7 |
| Adjusted operating profit[1] | 11.0 - 11.5 | (0.4) | - | 0.4 | 11.0 - 11.5 |
| Capitalised fixed asset additions[2] | 5.3 - 5.8 | (0.2) | 0.1 | - | 5.2 - 5.7 |
| Free cash flow[2] | 5.1 - 5.6 | 0.1 | (0.1) | 0.1 | 5.2 - 5.7 |

**Updated guidance reflects more challenging environment and increased focus on cash flow**

[1] Excludes non-operating income of associates, impairment losses and other income and expense. [2] Excludes spectrum and licence payments only.



# Summary

**Strong headline results benefiting from foreign exchange**

**Good data and business segment performance**

**Robust cashflow generation**

**Solid balance sheet and liquidity position**

**Continued improvement in Group tax structure**

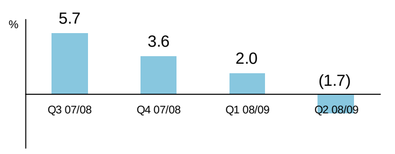
# Business review



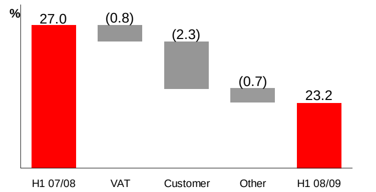
# Europe

# UK: Tough first half, strength in data, competitiveness as priority

**Service revenue growth[1]**




**EBITDA margin**




**Business trends**

- Service revenue decline in Q2 (-1.7%)
- Slower customer growth due to churn
- Weaker enterprise roaming
- Continued growth of data (+30%)
- Declining EBITDA margin: A&R (18-month contracts) and investment in network and publicity

**Actions**

- Repriced contract tariffs
- Push SIM-only contracts
- Promotion of loyalty in prepaid top-ups
- Maintain momentum in data growth
- Expand wholesale, e.g. Lebara, Asda
- Remain competitive in enterprise
- BlackBerry® Storm™
- Cost reduction: Technology, G&A

[1]Adjusted to exclude £30m UK VAT refund received in Q2 07/08



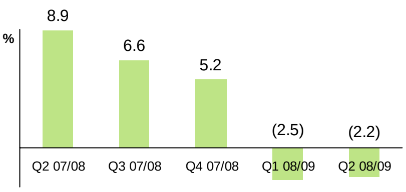
# Spain: Q1 08/09 vs. Q4 07/08

**Trends analysis**

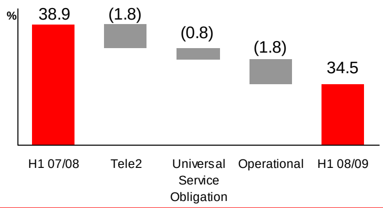
- Vodafone grew faster than the market for 16 quarters until Q1 08/09
- Successful focus on ‘mobile-only’ segments: SoHo/’Autonomos’ and migrants
- Economic downturn impacted these growth sectors
- Q1 results were also affected by tougher competitive environment and timing of previous year’s promotions
- Q1 vs. Q4: 7.7pp change in growth
- We said “1/3 economy; 1/3 Vodafone and promotions; 1/3 competition”
- Specific impact:
  - Promotion: -3.1pp
  - Competition: -2.5pp
  - Economy/migrant workers: -2.1pp

# Spain: Stabilising revenue decline in a challenging environment

**Organic service revenue growth**




**EBITDA margin**




**Business trends**

- Continued focus/success in contract; prepaid more challenging
- Continuing weakness of roaming
- Further impact of loss of Yoigo
- Strong PC connectivity growth
- Weak data revenue growth: Lower content revenue and promotional activity
- EBITDA margins fall - less than half was operational

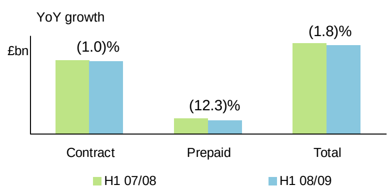
**Actions**

- On-net voice promotions
- 'Vitamina' extended to off-net
- SIM-only for high value prepaid users
- Push zonal pricing, DSL
- Netbooks and flat browsing fee

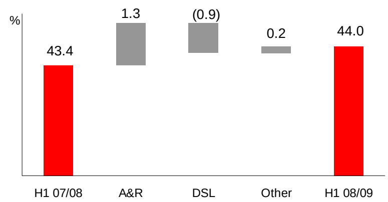


# Germany: Margin improvement despite revenue decline in prepaid

**Organic service revenue growth[1]**




**EBITDA margin[1]**




**Business trends**

- Stable Q2 service revenue decline (-1.8%)
- Superflat successful. DSL, data strong
- Prepaid under pressure from discounters
- EBITDA margin improved: Higher SIM-only proportions and absorbed cost of DSL growth
- Arcor now number two in DSL

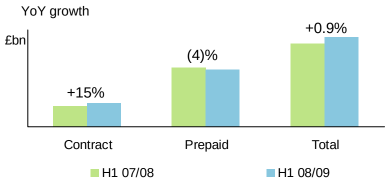
**Actions**

- Sustain momentum of Superflat in contract
- New 'CallYa 5/15' prepaid tariff launched
- Delivery on Arcor integration plan
- Continue to drive Vodafone DSL

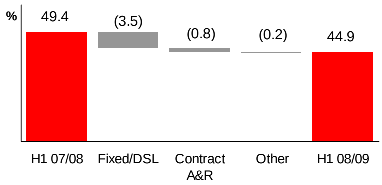
[1]Vodafone Germany only, excludes Arcor.

# Italy: Encouraging trends, strength in high value customers and PC connectivity

**Organic service revenue growth**




**EBITDA margin**




**Business trends**

- Contract and enterprise continue to deliver (contract base +34%)
- Strong data growth of 37%
- DSL growth through Tele2 and own brand launch (over €300m fixed revenue)
- Fixed, contract push driving margin pressure
- Shift from volume to value on prepaid

**Actions**

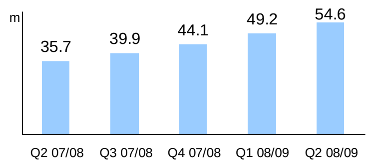
- Continue focus on contract acquisitions
- Targeted demand-stimulation programmes in prepaid to offset price pressure
- Continuous penetration of PC connectivity and mobile Internet devices
- Targeted push on DSL (e.g. Vodafone Station)
- Total communications focus in Enterprise (e.g. Rete Unica)



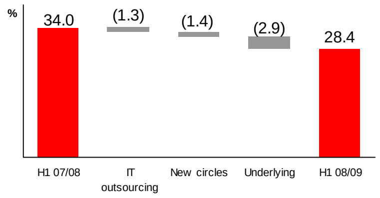
# EMAPA

# India: Rapid growth continues

## Customer growth trends




## EBITDA margin




## Business trends

- 53% customer growth: 2m net adds Oct
- 41% revenue growth in H1
- Q1/Q2 impacted by pricing changes
- 17% customer market share (c.21% in main 16 circles)
- EBITDA margins impacted: Price reductions, higher network costs, new circles investment and IT outsourcing

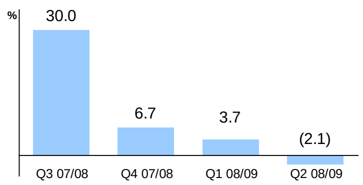
## Actions

- Continue aggressive network roll out (>2,000 base stations per month), capex c.£1.2bn in FY 08/09
- Drive penetration of new circles
- Maintain competitive pricing
- Expand product offerings to enterprise
- Broaden site-sharing; currently 60% on cumulative basis (85% incremental)
- Indus Towers: Rollout activities initiated

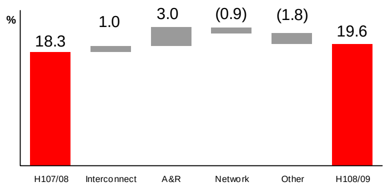


# Turkey: Turnaround taking longer

## Organic service revenue growth




## EBITDA margin




## Business trends

- Market remains attractive despite macro pressures
- Revenue declined yoy in Q2: Intense competition, tough economic climate, mobile termination rate cuts and timing of Ramadan
- Margin improved yoy: Lower A&R, lower interconnect, and higher network costs

## Actions

- Strengthen management team
- Complete network optimisation
- Invest in distribution
- Adopt a value-based, community-oriented marketing approach
- Build on number portability

# Strategy review



## Vodafone: Well positioned in an attractive sector

| Telecoms industry | Vodafone |
|---|---|
| Strong cash flow generation | • Strong cash flow performance<br>• No.1/2 position in key markets |
| Large data market opportunity, also in emerging markets | • Pioneer in data: 3G/HSDPA/Vodafone live! |
| Potential growth opportunities | • Recognised brand in consumer<br>• Increasingly trusted brand in enterprise: Vodafone Global Enterprise |
| Emerging market penetration potential | • Presence in large emerging markets: India, Africa |
| Good economies of scale and cost structure with ability to absorb downturns | • Scale in technology and purchasing: Vodafone Procurement Company<br>• Proven ability to control costs |

## May 2006 strategy

| May 2006 | Progress |
|---|---|
| **1. Revenue stimulation and cost reduction in Europe** | • Usage up 22% p.a.; prices down 17% p.a.<br>• Delivered on cost and capex targets |
| **2. Emerging market growth** | • Increased presence: Ghana, India, Poland, Qatar and Vodacom |
| **3. Total communications** | • Annualised data revenue £2.8bn<br>• Broadband capabilities in 12 markets |
| **4. Manage portfolio for maximum returns** | • Disposal of non-core assets |
| **5. Capital structure and shareholder returns** | • Higher dividends<br>• £20bn cash returned to shareholders |



## Environment: Economic, competitive and regulatory pressures

| Economy | Competition | Regulation |
|---|---|---|
| Weaker global growth | Price declines | Mobile regulation |
| | Converged offers | |
| Emerging market inflation | MVNOs/discount players | Evolving fixed framework |

**November 2008 revised strategy**

# November 2008 revised strategy

**Focus on free cash flow generation and execution**

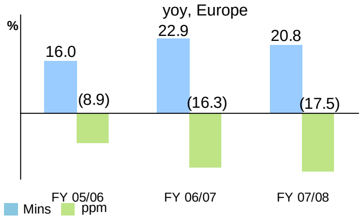
| | |
|---|---|
| **Drive operational performance** | • Value enhancement<br>• Cost reduction |
| **Pursue growth opportunities in total communications** | • Mobile data<br>• Enterprise<br>• Broadband |
| **Execute in emerging markets** | • Delivery in existing markets<br>• Selective expansion/cautious approach |
| **Strengthen capital discipline** | • Shareholder returns<br>• Clear priorities for surplus capital |



# Operational performance: From revenue stimulation to value enhancement

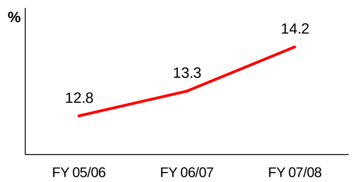
**Price is declining faster than usage**

**Outgoing usage and ppm evolution**
yoy, Europe




**Customer investment spend is growing**

**Net acquisition and retention cost**
% of service revenue, Europe

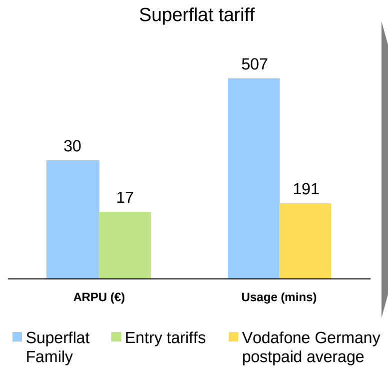



**Value enhancement strategy**

- Increased loading of offers, lower implicit prices
- Commitments, commercial investment rebalancing
- Load networks/scale driven
- Extension of penetration (households, businesses)
- Price competitive for medium and high-end customers
- Competitive in prepaid: MVNOs, distributors' brand, etc.

# Value enhancement: Early results encouraging

**Vodafone Germany: Family plan offer…**




**…showing the value of our approach**

- Sell through benefits
  - Average of 1.4 Superflat Family bolt-ons per Superflat contract
  - 2/3 of Superflat Family adds are SIM-only
- ARPU enhancement
  - Superflat Family ARPU +€13 compared to other entry level tariffs
  - Superflat Family usage over 500 minutes, of which 2/3 is on-net

**Deeper household penetration, more value than regular tariffs**



# Costs: A large part is either variable or market sensitive

| Cash cost FY 07/08 (£bn) | | Variable (Volume) | Market (Competition) | Fixed (Maintenance) | Total |
|---|---|---|---|---|---|
| Direct | £8.3bn | 22% | 6% | 2% | 30% |
| Acquisition and retention | £6.2bn | - | 27% | 7% | 34% |
| Other customer costs | £3.3bn | | | | |
| Opex | £4.5bn | - | - | 17% | 17% |
| Capex | £5.1bn | 3% | 8% | 8% | 19% |
| Total | £27.4bn | 25% | 41% | 34% | 100% |

**Traffic dependent** | **Competitor behaviour dependent** | **Scale opportunity**

## Cost efficiency: Multiple programmes to reduce cost and create a lean structure

| | | |
|---|---|---|
| **Commercial** | • Wholesale roaming company<br>• Terminals portfolio simplification<br>• Logistics centralisation | • Customer care optimisation<br>• E-billing<br>• Media buying<br>• Handset self-care |
| **Technology** | • European network evolution: Single IMS and all IP network<br>• Network sharing<br>• IT applications rationalisation<br>• Network testing centralisation | • Network hub and spoke consolidation<br>• Transmission optimisation<br>• Field force simplification<br>• Network maintenance streamlining |
| **General and administration** | • Support functions reduction<br>• Property rationalisation<br>• Discretionary expenditure reduction | |

**Expected benefits: Annualised savings of £1.0bn by FY 10/11 to offset inflationary pressures and fund growth opportunities**



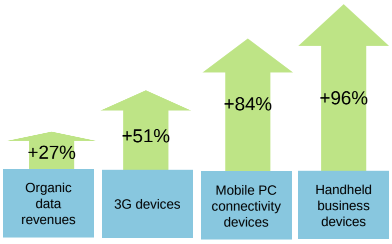
## Cost efficiency: Key targets FY 07/08 – FY 10/11

| | |
|---|---|
| **Europe[1]** | Operating costs[2] broadly stable |
| | Capital intensity at or below 10% |
| **EMAPA** | Operating costs[2] will grow at a lower rate than revenue |
| | Capital intensity will converge on Europe levels in the long-term |

[1]Europe plus common functions. [2]Operating expenses plus customer costs excluding A&R costs, adjusted for FX and M&A.

# Growth opportunities: Maintaining leadership in mobile data

**Achievement H1 08/09**




**Market opportunity**

- Consumer: Data is only 4% of revenue
- Monthly mobile data contracts in Europe is only c.8% of customer base, but expected to grow
- Emerging markets: Internet will be mobile

**Driving and supporting growth**

**Devices: Netbooks, USB dongles, phone as modem, etc.**

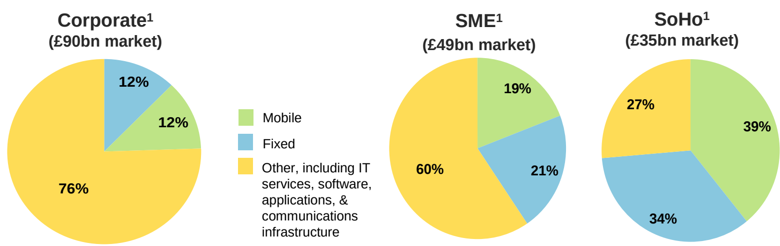
**Price innovation**

**Vodafone Business Services**

**Vodafone Internet Services**



# Growth opportunities: Significant opportunity for growth in Enterprise




**Vodafone Global Enterprise (2006)**

- Vodafone Global Enterprise (VGE): 270 MNCs, global account management model
- Revenue growth 8% in H1 08/09
- Attractive product and service portfolio, including industry vertical mobility solutions
- Deepening Verizon Wireless partnership

**Vodafone Business Services (2008)**

- Dedicated division in markets
- Brand credibility
- Shared service platform
- Deepen penetration of core products, network-based Centrex (e.g. Rete Unica), 'Office in a box' IP PBX

[1]Source: IDC and company estimates for Vodafone controlled footprint excluding India. Market size of FY 07/08.

# Growth opportunities: Broadband, a market by market approach

**Vodafone assets**

- 42m contract mobile customers in Europe
- Network infrastructure
- Distribution and brand
- CRM systems

**Achievements**

- Over 60% population covered by unbundled exchanges in Germany and 40% in Italy and Spain
- Vodafone DSL available across Europe
- Successful integration of Arcor, Tele2 Spain, Tele2 Italy

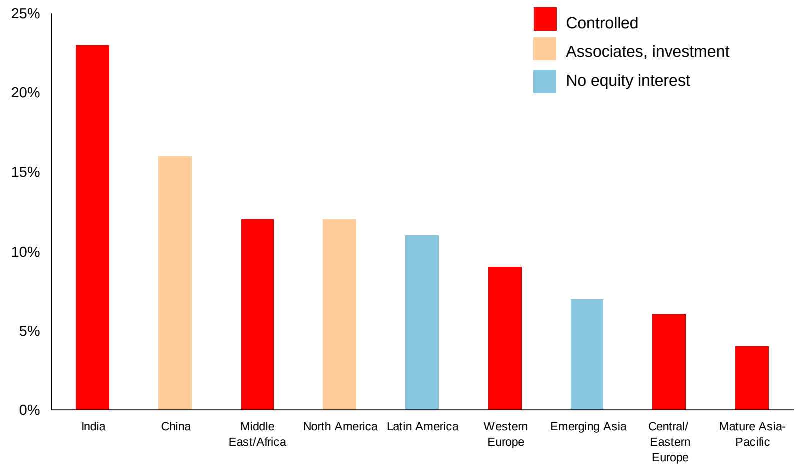
**Vodafone strategy**

- Vodafone as total communications brand based on strong personal/mobile relationships
- Focus on communication needs of enterprise and high-value households
- Technology agnostic (asset smart)
  - HSDPA/DSL/FTTC
  - Acquire/deploy/re-sale
- Market by market approach required based on
  - Strength of Vodafone assets
  - Geo-density
  - Pricing levels
  - Regulation



# Emerging markets: Already in the right markets

**2008-2012 share of mobile industry revenue growth**




Source: Ovum May 2008, Merrill Lynch Wireless Matrix Q1 2008.
Note: Mature Asia-Pacific includes Australia, New Zealand, Japan, Hong Kong and Singapore; North America includes USA and Canada.

## Emerging markets: Delivery first, selective expansion

| Delivery | Selective expansion |
|---|---|
| • 26% customer growth in H1 08/09<br>• Exploit potential penetration opportunity<br>• Data opportunity<br>• Cost efficiency: Power sharing, network sharing<br>• Products and services: Low cost handsets; roaming; payments<br>• Focus: India, Turkey, Vodacom | • Strict screening criteria<br>- GDP growth, GDP per capita<br>- Penetration/profitability<br>- Market structure<br>- Risk<br>• M&A financial criteria remain in place<br>• Size, impact on Vodafone value<br>• Few attractive markets remain<br>• Partner Market agreements where no equity investment |
| **Priority** | **Cautious approach** |



## Capital discipline: Priorities for cash

**Focus on free cash flow generation and disciplined deployment**

| | |
|---|---|
| **Investment** | • Supporting existing business<br>• Growth opportunities: Mobile data, enterprise, broadband<br>• Spectrum |
| **Reward shareholders** | • Primary focus on dividends<br>• Low single ‘A’ rating still appropriate |
| **M & A** | • In-market consolidation opportunities<br>• Emerging markets<br>• Portfolio management |

## Capital discipline: Portfolio management

| | |
|---|---|
| **Controlled assets** | • All assets reviewed regularly<br>• Focus on non-performing/subscale/high risk<br>• Value creation as key metric using local cost of capital<br>• Supporter of consolidation (active/passive) |
| **Verizon Wireless** | • Leading asset, attractive market, strong management team<br>• Alltel synergies<br>• Deepening partnership: LTE, enterprise, terminals<br>• Complex but income tax-efficient holding structure |
| **SFR** | • Number 2 player, mature market<br>• Strategically aligned/good partnership<br>• Common technology and strong co-operation<br>• Strong shareholder agreement |
| **China Mobile** | • Large, growing market<br>• Number one player with scale advantage<br>• Good partnership: LTE, Enterprise, JV on services |



## Vodafone management will:

**Strengthen all businesses and focus on value**
**Implement £1bn cost programmes**

**Increase revenue contribution from mobile data, enterprise and broadband**

**Focus on delivery in emerging markets and approach expansion cautiously and selectively**

**Maintain clear priorities for surplus capital**

**Target sustained £5 - 6bn p.a. of free cash flow[1]**

[1]Excluding potential cash flow CFC tax settlement and spectrum/licence purchases.

# Forward-looking Statements

This document 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 statements with respect to expectations regarding the Group's financial condition or results of operations and expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends, including customer mix and usage, competitive pressures and price trends; intentions and expectations regarding the development and launch of products, services and technologies introduced by Vodafone or by Vodafone in conjunction with third parties; anticipated benefits to the Group from cost reduction or efficiency programmes; growth in customers and usage; growth in mobile data, enterprise and broadband; growth in emerging markets, especially India, Turkey and Africa; expectations regarding foreign exchange rates and interest rates, expectations regarding revenue, adjusted operating profit, capitalised fixed asset additions, free cash flows, costs, tax payments and tax rates; expectations regarding capital intensity, capital expenditures and depreciation and amortisation charges; expectations regarding liquidity and capitalisation; expectations regarding the integration or performance of current and future investments, associates, joint ventures and newly acquired businesses; the rate of dividend growth by the Group or its existing investments; and the impact of regulatory and legal proceedings involving Vodafone and of scheduled or potential regulatory changes.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group that would adversely affect the level of demand for mobile services; greater than anticipated competitive activity, from both existing competitors and new market entrants, which could require changes to the Group's pricing models, lead to customer churn or make it more difficult to acquire new customers; the impact of investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers and the possibility that new products and services will not be commercially accepted or perform according to expectations; the Group's ability to renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in mobile data, enterprise and broadband and in emerging markets; changes in foreign exchange rates or interest rates; the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing; unfavourable consequences of acquisitions or disposals; changes in the regulatory framework in which the Group operates, including possible action by regulators in markets in which the Group operates or by the EU to regulate rates the Group is permitted to charge; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; loss of suppliers or disruption of supply chains; the Group's ability to satisfy working capital and other requirements through access to, bank facilities, funding in the capital markets and operations; changes in statutory tax rates or profit mix which might impact the weighted average tax rate; changes in tax legislation or final resolution of open tax issues which might impact the Group's tax payments or effective tax rate; and changes in exchange rates, including particularly the exchange rate of pounds sterling to the euro and the US dollar.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under the heading "Other Information—Forward-Looking Statements" in our results announcement for the six months ended 30 September 2008 and under the heading "Principal Risk Factors and Uncertainties" in our Annual Report for the year ended 31 March 2008.. 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 document will be realised. Neither Vodafone nor any of its affiliates intends to update these forward-looking statements.