



# Vodafone Group Plc Interim Management Statement

For the 3 months ended 31 December 2013

6 February 2014

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# Q3 13/14 highlights

## Financial performance

- Q3 Group service revenue **-4.8%**, continued challenges in Europe **-9.6%**
- AMAP grew **+5.5%**; India **+13.2%** and Vodacom **+3.5%**, supported by strong data growth
- Strong Europe **contract net additions** driven by Red and 4G commercial strategy
- Improving **fixed line trends**, customer base +4.5% to 6.5m
- Full year guidance confirmed: pro forma AOP around **£5.0bn** and FCF **£4.5bn-£5.0bn**

## Strategic progress

- **9.8m** Vodafone Red customers, well on track for 11-12m by year end
- **4G** available in **13** countries with 2m customers, data usage double that of 3G plans
- Enterprise acceleration in growth areas: M2M **+30%**, VGE **+4.5%**
- **Project Spring** underway; accelerated network build-out in selected markets
- **Unified communications**: Portugal fibre build on-track; Spain commercial launch in April
- Acquisition of 76.6% of **Kabel Deutschland**, domination agreement process on-going
- **US transaction** expected to complete 21 February 2014



## Group: similar service revenue trends to prior quarter

	Q3 13/14 £bn	Q3 13/14 YoY growth (%)	Q2 13/14 YoY growth (%)
<b>Group service revenue</b>	<b>9.9</b>	<b>(4.8)</b>	<b>(4.9)</b>
<b>By region</b>			
Europe	6.5	(9.6)	(9.6)
AMAP	3.2	5.5	5.6
<b>By service</b>			
Mobile in-bundle revenue	4.0	6.6	7.3
Mobile out-of-bundle revenue	3.0	(11.8)	(11.6)
Mobile incoming revenue	0.8	(19.5)	(21.0)
Fixed line revenue	1.7	(1.1)	(1.4)
Other service revenue	0.4	(19.5)	(18.0)

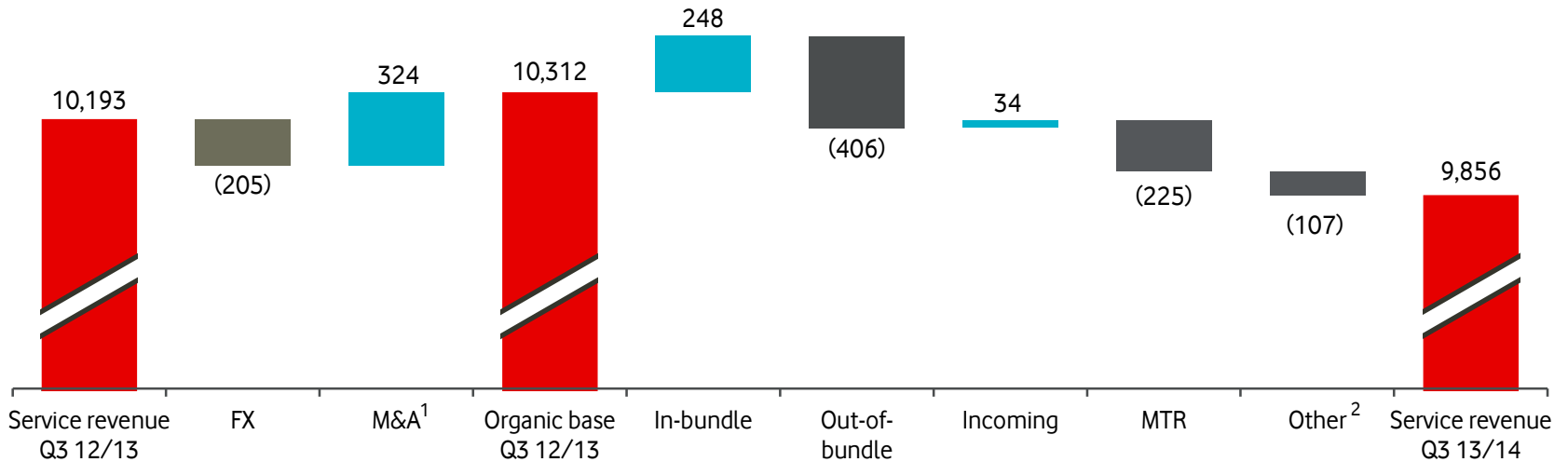
- Q3 service revenue excluding MTRs:
 

Group	-2.4%
Europe	-7.0%
AMAP	+7.4%
- Capex £1.8bn; +12% year to date
- FCF £1.0bn; slight reduction due to higher capex
- Net debt £31.5bn, will reduce following completion of the US transaction



# Group: decline in underlying service revenue

(£m)



- In-bundle revenues +7ppt to 59% of Europe mobile service revenue, driven by integrated plans
- Other service revenue: decline in visitor revenues and reduced involvement with MVNOs

Includes joint ventures on a proportionate basis and all growth rates shown are organic unless otherwise stated

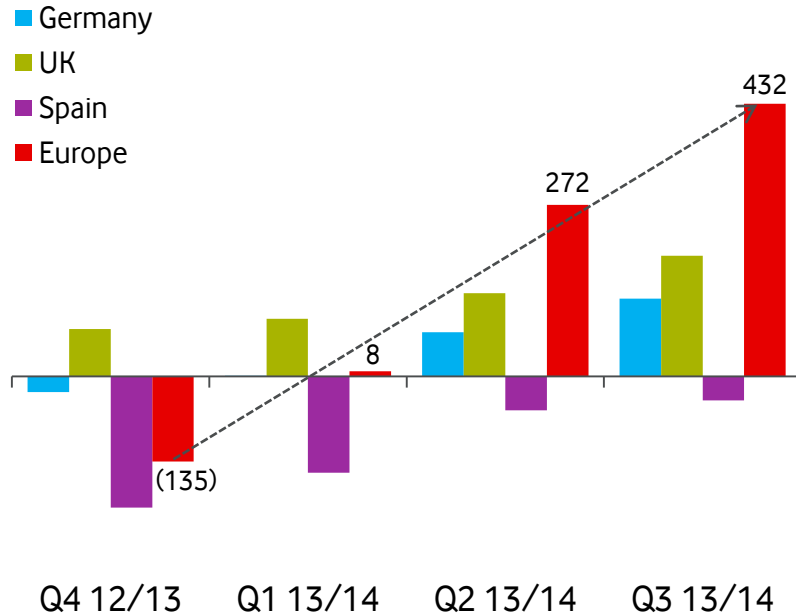
1. M&A is principally KDG

2. Other includes fixed line service revenue



# Commercial strategy driving Europe contract net additions

('000s)



- Growth in Europe contract net additions driven by:
  - Increasing 4G and Red penetration
  - Additional customer investment
- Improving consumer contract churn
- Europe consumer contract base +1.6%
- Contract customers now 45% of total Europe customer base, +2ppt

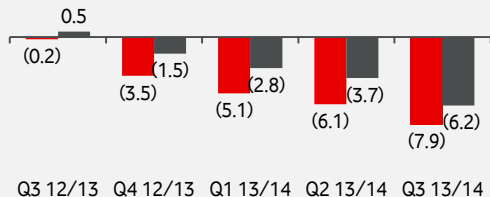


# Increased investment in Germany; signs of price recovery in Italy

## Germany

### Service revenue growth (%)

- Service revenue growth
- Excluding MTRs



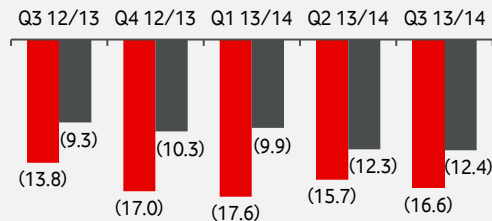
- Price pressure on base ARPU
- 1,040 sites upgraded to high capacity backhaul
- 4G leadership; 67% coverage
- Increased A&R spend; improving commercial performance, contract net additions 123k
- 62% contract smartphone penetration, +11ppt
- KDG strong broadband net additions performance 88k



## Italy

### Service revenue growth (%)

- Service revenue growth
- Excluding MTRs



- 4G available in 27 cities
- Data users +13% to 9.8m
- Signs of price recovery after summer 2013 promotions
- 1.4m Red users<sup>1</sup>; 97% of consumer contract gross additions, in-bundle revenue +10.6%
- Fixed line revenue +1.8%; 28k net broadband additions<sup>1</sup>



Includes joint ventures on a proportionate basis and all growth rates shown are organic unless otherwise stated

1. 100% basis

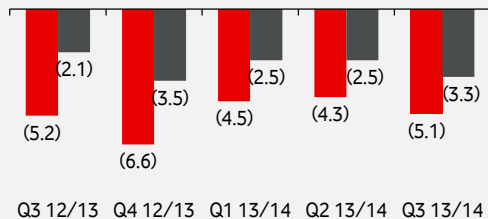


# UK 4G boosting data usage; Spain contract base stabilising

## UK

### Service revenue growth (%)

- Service revenue growth
- Excluding MTRs



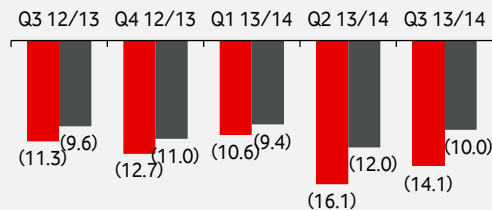
- 4G available in 13 cities with over 370,000 users; 90% outdoor coverage in London<sup>1</sup>
- 2.3m Red customers (36% of consumer contract base)
- Red 4G data usage double that of 3G
- 77% contract smartphone penetration, +4ppt
- Over 2,700 sites now connected to CWW network



## Spain

### Service revenue growth (%)

- Service revenue growth
- Excluding MTRs



- Fast 4G rollout; now available in 19 cities
- FTTH: commercial launch in April
- Stabilising contract base; 1.0m Red customers; 30% include fixed line
- Fixed service revenue +5.7%, boosted by Red convergent offers; 57k net broadband adds
- MVNO players remain competitive in convergent offers



Includes joint ventures on a proportionate basis and all growth rates shown are organic unless otherwise stated

1. Based on independent sampling of our signal strength across the city

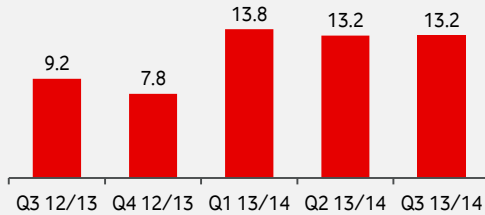




# AMAP: strong customer net adds; growing demand for data

## India

Service revenue growth (%)

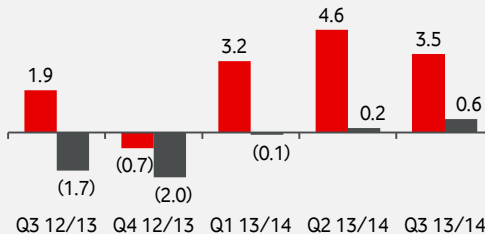


- 4.9m net additions, over 160m customers
- Blended ARPU +9.6%
- Browsing: 10% of service revenues; of which 39% is 3G
- Data users +38% to 46m; 5m 3G users, average usage 730MB
- Accelerated 3G site rollout; over 2,200 sites in Q3
- Spectrum auction on-going

## Vodacom

Service revenue growth (%)

■ Vodacom Group  
■ South Africa



## South Africa

- Successful summer promotions; 1.3m net additions
- Data users +17% to 16m; 7.2m smartphone users
- Continued negotiations to acquire Neotel
- Legal challenge to proposed MTR cuts

## International

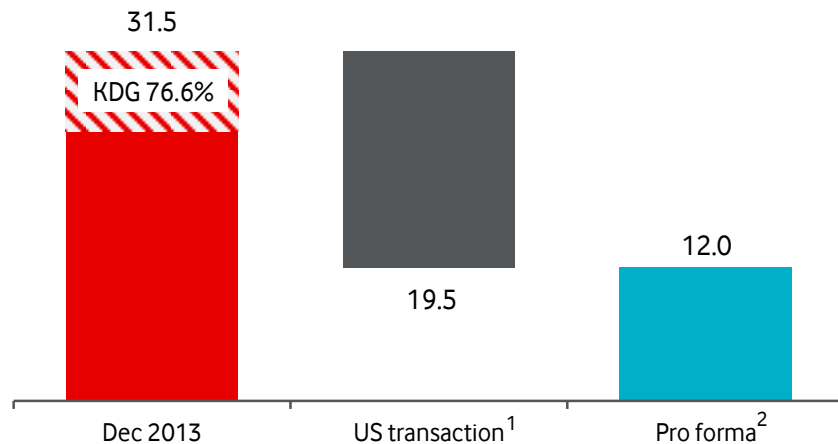
- Service revenue +15.1%; customer growth driven by successful bundle price plans
- 1.3m prepaid net additions



# Strong financial position – continue to target low single A rating

	<b>Q3 13/14 £bn</b>
<b>Opening net debt 30 Sept 13</b>	<b>(25.7)</b>
Free cash flow	1.0
KDG acquisition <sup>3</sup>	(7.0)
Spectrum	(0.1)
Foreign exchange	0.4
Other	(0.1)
<b>Closing net debt 31 Dec 13</b>	<b>(31.5)</b>
<i>Closing net debt excluding JVs</i>	<i>(29.8)</i>

## Pro forma net debt post US transaction (£bn)



Includes joint ventures on a proportionate basis

1. Calculated at £1 = US\$1.62 as at Dec 13
2. Prior to acquisition of remaining 23.4% of KDG
3. Including acquired debt



# Expected timetable for US transaction

February 2014	<b>19<sup>th</sup></b> Announcement of number of Verizon Consideration Shares
	<b>21<sup>st</sup></b> Closing of Transactions
	<b>24<sup>th</sup></b> Share consolidation and commencement of trading of new ordinary shares and ADSs
	<b>24<sup>th</sup></b> Ex-date and settlement of Verizon shares
March 2014	<b>4<sup>th</sup></b> Cash payment settled

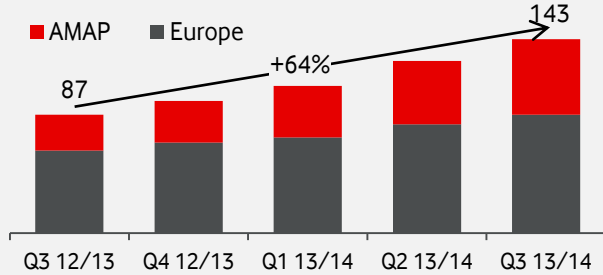
## Material conditions

- ✓ Vodafone shareholder approval
- ✓ Verizon shareholder approval
- ✓ Regulatory approvals and consents
  - UK court approval (for Return of Value)
  - Implementation of pre-completion reorganisation



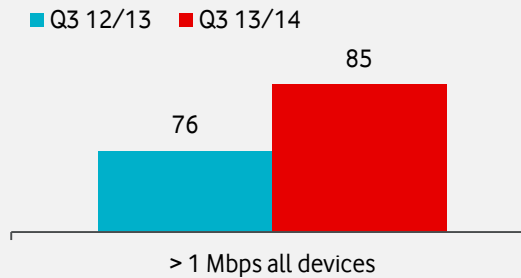
# Accelerating data growth

## Data traffic growing (Petabytes)



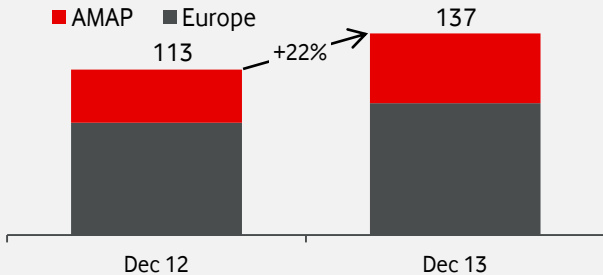
- 4G 17% of Europe data traffic
- AMAP 40% of Group data traffic, +10ppt
- AMAP 3G +135%

## Data experience improving quickly... (% of data sessions)



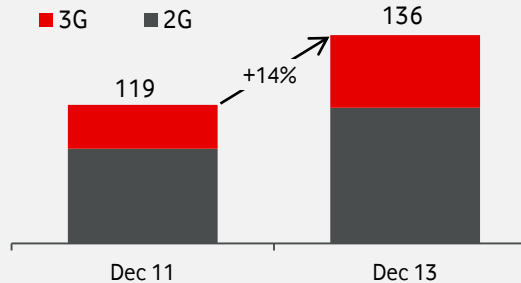
- 80% of data sessions on top tier devices reach >3Mbps

## ...Supported by wider 3G & 4G footprint (number of sites '000s)



- Around 14,000 4G sites across Europe
- 60% of 3G sites at 43.2Mbps
- AMAP 3G sites +31%

## Accelerated rollout of 3G sites in India (number of sites '000s)

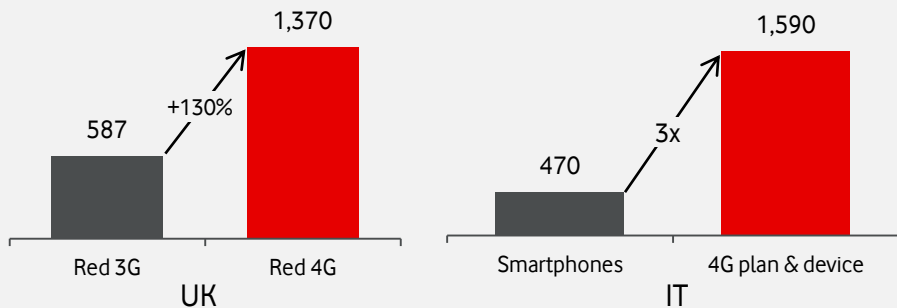


- 2,000+ 3G sites deployed in Q3
- 3G now 16% of AMAP traffic, +5ppt
- 2nd highest data consumption across the Group

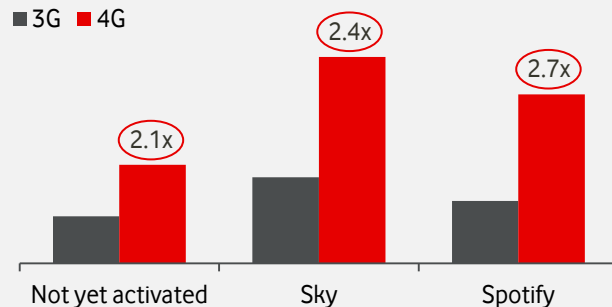


# 4G case studies: around 2m<sup>1</sup> 4G customers in Europe

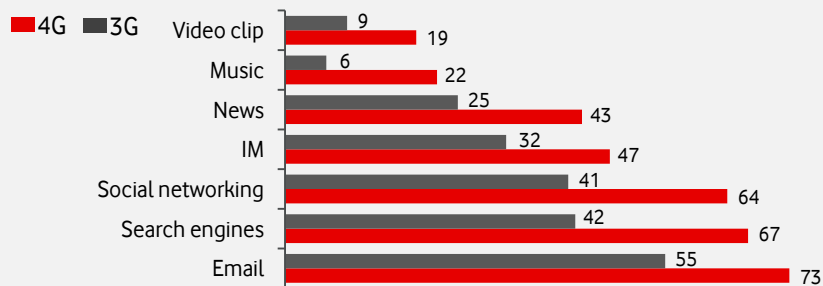
## Data usage UK and Italy (MB)



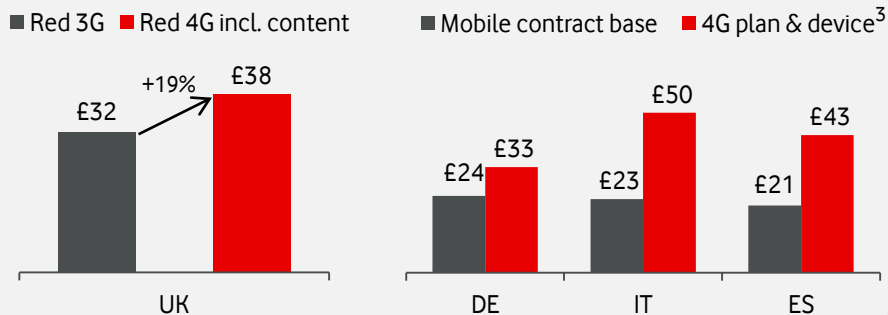
## UK: sports and music included in 4G offer (Data usage)



## UK: apps used daily (% of users)



## ARPU uplift<sup>2</sup>

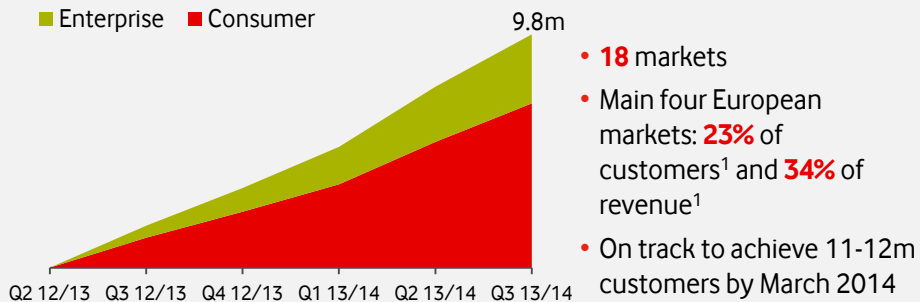


1. Customers with a 4G handset and on a 4G plan in 9 European markets
2. ARPU calculated at £1 = €1.19 as at Dec 13
3. Germany ARPU is for 4G device only

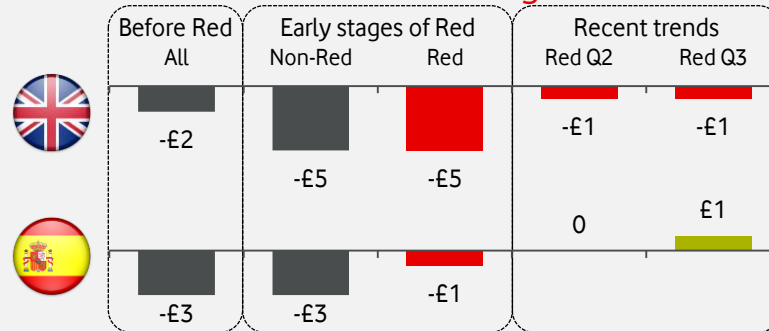


# Red: protecting in-bundle service revenue; encouraging data usage

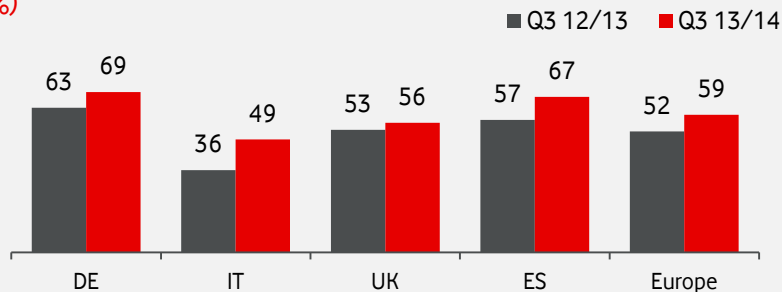
## Consumer and Enterprise customer base



## Consumer ARPU dilution stabilising<sup>2</sup>

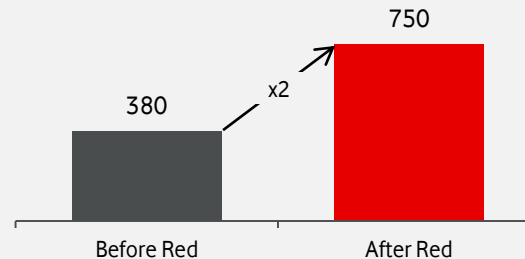


## Red driving growth of in-bundle mobile service revenue (%)



## Encouraging signs in both voice and data usage

Monthly average data usage per user (MB)<sup>3</sup>



- Monthly average voice MoU per user<sup>3</sup> **+20%**
- Protected against disintermediation
- Roaming data usage **+137%**

1. EU4 consumer contract mobile base excluding data only SIMs, as at December 2013  
 2. Early stages of Red taken from Jan-Mar 2013. Recent trends in Red Q2 taken from Apr-Jun 2013 and Red Q3 Jul-Sep 2013  
 3. EU4 consumer contract, as at December 2013



# Unified communications and fixed line progress

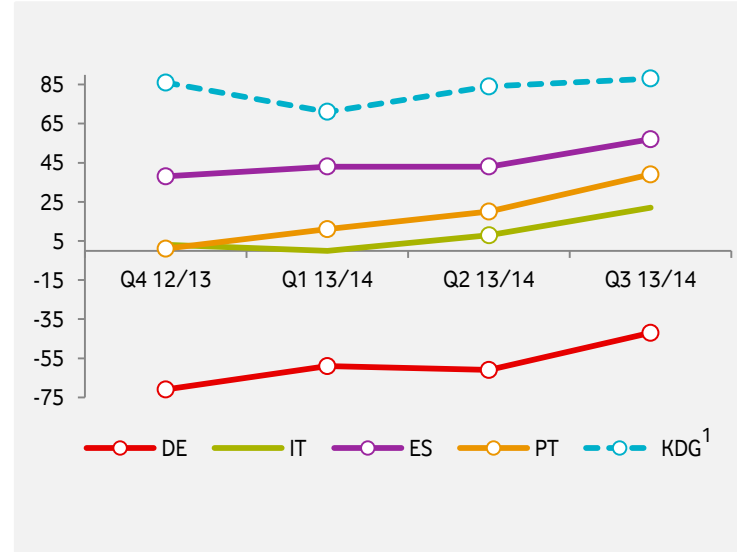
Accelerate through Project Spring

## Approach

## Q3 status

<b>1</b> NGN wholesale	<b>Italy</b>	<b>37 cities</b> (FTTH Milan + VDSL other cities)
	<b>Germany</b>	VDSL, 27% coverage
	<b>Netherlands</b>	Reggefiber; 21% coverage
<b>2</b> Fibre deployment	<b>Italy</b>	Preparing self-build FTTC
	<b>Portugal</b>	Co and self-build, <b>over 700k HH passed</b>
	<b>Spain</b>	<b>Commercial launch April 2014</b>
<b>3</b> M&A	<b>UK</b>	CWW acquisition in 2012; successful integration
	<b>Germany</b>	<b>KDG acquisition</b>

## Improving fixed line net adds ('000s)



NGN = Next generation Network. HH = Households or premises

1. Internet and phone business



# Summary

## Financial performance

- AMAP growing strongly, accelerating data demand
- Europe conditions remain difficult, grounds for optimism
- Strong balance sheet and improving dividend cover post US transaction
- Full year pro forma guidance confirmed

## Strategic progress

- Establishing a stronger network and service differentiation
- 4G and Red plans gaining momentum
- Continued progress in unified communications capability
- Enterprise leadership strengthening
- Project Spring underway and on-track





# Q&A



# Other markets

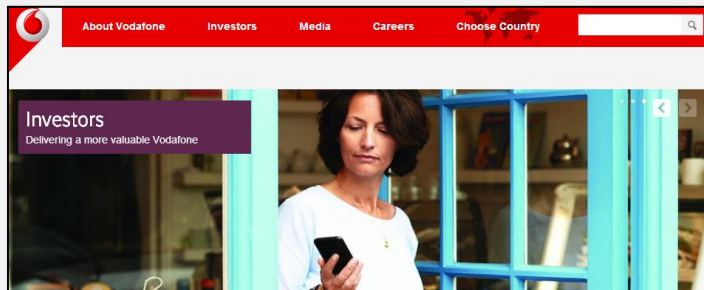
% Q3 organic service revenue growth

<b>3.9%</b> Turkey	<b>(6.6%)</b> Netherlands	<b>1.1%</b> Egypt
<ul style="list-style-type: none"><li>Continued strong underlying growth, +11.0% excl. MTRs</li><li>Data revenue +47%: smartphone penetration +11ppt to 30.1%</li><li>Continued success with Red: both in consumer and enterprise</li></ul>	<ul style="list-style-type: none"><li>Mobile in-bundle service revenue +4.3%; driven by Red plans</li><li>4G rollout according to plan</li><li>Continued popularity of no frills segment, c.60% of market gross adds</li></ul>	<ul style="list-style-type: none"><li>New 'worry-free' integrated tariffs launched including Vodafone Red</li><li>Usage stabilised following end of curfews</li></ul>
<b>(8.0%)</b> Australia	<b>(5.2%)</b> Portugal	<b>(6.5%)</b> Ireland
<ul style="list-style-type: none"><li>Improved level of performance in operational KPIs</li><li>Focussed customer base management</li><li>NPS improving in both prepaid and contract</li></ul>	<ul style="list-style-type: none"><li>Progress in unified comms: now cover over 700k homes with FTTH</li><li>Fixed revenue +30% led by customer growth</li><li>Increased competitive pressures around converged offers</li></ul>	<ul style="list-style-type: none"><li>Strong growth in consumer contract</li><li>4G services launched in 6 cities and 31 towns</li><li>Prepaid market continued to decline</li></ul>



# More information

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Upcoming dates

Full year results

**20 May**

Q1 IMS

**25 July**

AGM

**29 July**

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Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the heading “Forward-looking statements” in the Group’s half-year financial report for the six months ended 30 September 2013 and under the headings “Forward-looking statements” and “Principal risk factors and uncertainties” in Vodafone Group Plc’s annual report for the year ended 31 March 2013. The half-year financial report and the annual report can be found on the Group’s website ([www.vodafone.com/investor](http://www.vodafone.com/investor)). All subsequent written or oral forward-looking statements attributable to the Company or any member of the Group or any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this presentation will be realised. Except as otherwise stated herein and as may be required to comply with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.



