# Vodafone H1 FY21 Results Announcement - Live Q&A

Monday, 16th November 2020

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## Opening Remarks

Nick Read

*CEO, Vodafone Group Plc*

Hi everyone, and hope you are all staying safe. Thank you for taking the time to join Margherita and myself for our half year results. And you have seen our presentation, so we are open for Q&A.

Just one point around Vantage Towers. You saw that we had a specific slide in the deck regarding Vantage Towers, and importantly, the relationship with Vodafone. We are happy to take Q&A regarding our relationship, but we cannot go into any more specifics because there is a Capital Markets Day tomorrow; I think you will find it very informative in terms of the strategy, growth drivers, capital structures. All your questions will be answered tomorrow. Because we are under regulatory constraints, we cannot go into that today.

So on that I think we have one question per analyst. They're never disciplined, but hopefully we can get through everyone and I think we are starting with Akhil.

## Q&A

**Akhil Dattani (JP Morgan):** Hi, good morning, thanks for taking the question. The question is really around the revenue trajectory going forward. You have had a much better service revenue performance this quarter than the consensus expected. One of the components you have called out is B2B, so obviously very keen to understand specifically what in B2B is driving and how we can think about that going forward.

And the second part of that is pricing. If I am understanding correctly, traditionally a lot of your price increases kick in Q2, but actually this time around with the lockdown they did not. And I am looking forward and seeing that you are starting to put through a number of price increases into Q3 and Q4. So can you maybe just talk to us pricing moves and just help us to understand how that also drives the going forward trajectory? Thanks a lot.

**Margherita Della Valle:** Good, Akhil. I will comment first on your point on B2B and then try to give you a picture of how we see the moving parts going forward.

As far as B2B is concerned, we are very pleased with our performance. I would say around pretty much all KPIs in that space, if you look at the numbers, we have had the lowest ever or at least that I can remember, churn rate in mobile. We have had good growth in fixed with Europe growing 6% in the quarter.

We are leading in customer satisfaction in NPS, in B2B, in four out of five of our main markets now. So it is, I would say, broad-based acceleration after the lockdown in Q1, which we see very much being the result of effectively being very fast in Q1, in being close to our customers, deploying a range of products that were helping them going through the crisis and I think we are now reaping the rewards of that. So competing well, I would say, is the headline in B2B.

In terms of how we see the trend lines then, overall, I would split the answer into two parts, maybe near-term, so the remainder of this fiscal year, and then more longer term. As we look into Q2 and Q3, it is fair to say there are still some drags that we can expect on our service revenue. As you have seen, the lockdowns have somehow restarted in different ways across our markets, and this for us is relevant on revenues on two fronts.

First one, obviously international travel. There was a bit of a recovery over the summer in Europe. I suppose we need to expect that that this will now fall back down again with the lockdown. And then the second element when there is still uncertainty for the remainder of the year is government support packages, and for how long they will last and how, particularly in Africa.

So these are the moving parts sort of going forward. I thinkOn the back of the fact that we had good commercial momentum, good demand for our services in B2B, we definitely see that the second half is going to look better than the first half, but still a degree of oscillation as you would expect likely.

I wanted to also point out the medium term, because I think this is a bit of a special moment in terms of trends. We have a significant drag from COVID in particular on roaming as you have seen and you have seen in our release we keep referring to service revenue growth also ex roaming. The reason why we do that, is that as we move into next year, from April, you will see that the roaming drag will lapse. We will compare ourselves to a year where there was already very little travel. Therefore, this will allow our underlying performance, ex roaming, which at the moment, as you have seen is positive with 1.5% service revenue growth across the Group ex roaming, Europe now stable. This underlying performance that we are seeing, is going to be emerged and let alone be accelerated then if there was any recovery in international travel into next year. So clearly return to growth on total service revenue performance expected for the coming year.

**Akhil Dattani:** That is great. Thank you. Now just on the pricing bit, I mean, are there any specific market you would call out just to understand the pricing dynamics?

**Margherita Della Valle:** So it is a very good point actually that you are raising on pricing because you are right, COVID did create a bit of re-phasing, repositioning around these moves. What I would say in terms of near-term service revenue growth, do not see these as being a big driver of acceleration because as you mentioned in prior year, we also were going through pricing cycles, maybe a little bit earlier, or a little bit different timeframe but of similar size.

**Nick Read:** I think it is fair to say, we will be looking to next year to see where the opportunities are, just like we would normally.

**Akhil Dattani:** Thank you very much.

**Emmet Kelly (Morgan Stanley):** Good morning everybody, thank you for taking my question. So a similar question from me, except on the EBITDA side. So you have reported EBITDA of minus 2% in H1. If I look at the guidance, it suggests, I guess, positive EBITDA of roughly plus 0.5% to maybe plus 3% in the second half of the year. Can you maybe just say a few words and what the key drivers are of the EBITDA improvement and maybe just refer to your cost-cutting plan as well, please? Thank you.

**Margherita Della Valle:** Sure. In general terms, you are right; we expect EBITDA in the second half of the year to be, let us say, on the right size of zero, and this is what we have factored in upgrading our guidance to what I would call the upper end of our outlook range that we gave immediately post COVID.

A number of drivers are the same as the one we just mentioned with Akhil; on a positive front, strong commercial momentum and good demand for our services in B2B, clearly offset by some further drag on roaming, should be lower in the second half than in the first half of the year because of seasonality. As I said, probably the volumes will fall back down again, we need to see.

In terms of cost progress, as you can imagine, any time someone asks me about cost, we are very pleased with our results so far! All the KPIs around our cost reduction programmes have been either progressing at the same pace as before in the first half, or have been accelerated. You can look at things like digital transformation, integration of activities into shared services. I would say COVID has not slowed us down in this journey, actually in some instances we have seen some supportive trends, particularly around digital coming from the change of behaviours that the customers have had due to COVID, and we are locking those behavioural changes in going forward.

So very positive progress. Clearly, some further opportunities ahead of us. Both in the near-term and in the longer term. You may remember another €1 billion of cost reductions in Europe between FY21 and FY23, and I think we have some really strong assets to deliver these further improvements into the Group operating model. You have seen in the presentation, we are talking about what good machine we have now to effectively; standardise similar processes across market, integrate them, package them, decide what is the best location to carry them through, and automate them. On the back of that, link to also an integrated procurement process, we think, that if anything, the opportunity is there post-COVID to further accelerate our cost reduction programmes.

**Emmet Kelly (Morgan Stanley):** Super, thank you very much

**Andrew Lee (Goldman Sachs):** Good morning guys, I had a question on portfolio management. There is a lot of detail, and really helpful detail, in the presentation around the parameters for this and how you think about it. Could you give us any more colour on what this practically means for how you are thinking about underperforming assets such as Spain at the moment?

**Nick Read:** Yeah, Andrew, thanks for recognising in the presentation, we laid out a framework and it really sort of had three core principles to it. And these three core principles have been there since I came in as Group CEO. We decided this is the way we need to look at our portfolio going forward.

So the first principle is; that we need to ensure that an asset has benefit from a regional scale, but also must be of local scale. It must have a credible and actionable long-range plan that delivers return on capital employed greater than market WACC over the long-range plan that we agree with them. Thirdly, we have to be the best owner of the asset. We have to make sure that both that asset and Group are benefitting from being part of the portfolio.

So if we take Spain as an example, Margherita and I, two years ago, did a very deep dive on Spain and we looked at the long range plan. Frankly, we felt they were not on the right trajectory, we did not have that confidence in the return on capital over the long range plan.

So we did a very radical restructuring and alternative transformation strategy, totally different commercial plan, making sure we are competing high, mid, low and dual branded. We came out of football, we drove digital transformation, we did network sharing on a more drastic and radical basis.

I think today is really good demonstration. Frankly, the last number of quarters have been really good demonstration, of progress that we have made; I think the team have executed that transformation through excellently. I think you are now seeing us on the front foot in Spain. I think when you see our relative results to others, I think they are a good set of results. We are now number two on retail, having just passed Orange. We have for five consecutive quarters; either stable or improving mobile, TV, and fixed broadband and we have had two halves of EBITDA expansion.

So I think we have got a good organic plan and that will prove to improve returns over time. Of course, were there to be consolidation opportunities? We will always evaluate those opportunities if they are value accretive for our shareholders. We have always taken that sort of pragmatic view, market-to-market, on how to strengthen positions.

**Andrew Lee:** Thank you. Can I just ask a very short follow-up? I take it from your comments then that the big improvement in Spanish trends that we saw in the quarter are sustainable into the second half of the year?

**Nick Read:** Yes. Well, I think you are seeing that we have got momentum as a business. If you remember in quarter four, I think there was a first acknowledgement, yes, you are a business with momentum. We were growing in the second half; EBITDA. We said we would be growing in the first half; we are growing. I think even though the market has intensified from a competitive perspective both at the high and the low-end, I think we are competing very effectively.

**Andrew Lee:** Thank you

**Jerry Dellis (Jefferies):** Good morning, thank you for taking my questions. I wanted to ask about 5G please. So we understand that 5G delivered over mid-band spectrum brings performance gains, but that mid-band spectrum is not fully available in all of your markets. So what is the commercial case for launching 5G in the low band spectrum first? Is there a commercial necessity to being first to deploy 5G market-by-market? Perhaps related to that, as there is some enduring Huawei uncertainty, differs a bit market-by-market, to what extent is that uncertainty about Huawei holding you back from fully investing? Thank you.

**Nick Read:** Jerry, we went onto the front foot on 5G; we were one of the first to launch across Europe. I think we landed that message in the minds of businesses and consumers very effectively. Of course, it wasn't mass scale, it was small, but it was widely dispersed through our European markets. From a perception perspective we are very much seen as a leader in 5G. Then the question is, as it starts to now ramp up, and as you see we are deploying in 126 cities currently across nine markets in Europe, the question is, how should we deploy? Some operators are taking dynamic spectrum sharing, DSS, which is effectively giving you a 5G symbol but 4G performance. What we said as a company is, no we do not want to do that, because it will be misleading the consumers and businesses. What we want to do is 5G built right. We want the real 5G performance. We know that if we deploy the significant 3.5GHz type level spectrum along with 700, ultimately when it is available in each of the markets, that is real 5G. We are starting with the cities, we are starting with the business parks where there is an economic case, because the demand is there from a data usage perspective, and also the user cases from a business perspective.

3G was browsing, 4G was video, 5G -this is about enterprise and about businesses enabling their capability moving forward in an IOT world. We have the world's largest IOT platform. It is about us focusing, not on coverage messages with an inferior product, it is about a superior product, where the economics really count.

**Jerry Dellis:** Thank you and does the Huawei uncertainty matter? Does that create a constraint?

**Nick Read:** Clearly you would want clarity, and we are working with each of the European countries and governments to implement on the European 5G toolbox. They are in the process of doing that, but the toolbox made a distinction between core and RAN. We have already made our decision on core. We are taking Huawei out of the core over the next 4-5 years, but RAN very much different from core. We are engaged with each of the governments on that. I would not say it has been any material delay, maybe in some markets we paused for a few months, but nothing more than that.

**Jerry Dellis:** Thank you.

**Georgios Ierodiaconou (Citigroup):** Good morning and thank you for taking my question. It is on regulation, and Nick during your introductory remarks, you highlighted that regulation is going in the right direction in a number of countries you are present. Perhaps there is one exception; which is Portugal.

My question is in two parts. Firstly, I believe the market leader there, Altice, have already stated they will make no material investments in the country, until they revisit the spectrum auction process. I would be interested to hear your views on that, and whether you are thinking about something similar for Vodafone.

Then secondly, more broadly by focusing on return on capital employed, you will be picking winners and losers on returns as you employ capital in the long-term. Do you think politicians and regulators are starting to understand the importance of fair regulation, in order to attract more capital from the group? Thank you.

**Nick Read:** Georgios, very good question. I will start with the latter and then go into the first question. I talk all the time about social contract. I talk about what we bring to society, what we are willing to invest, what our investors want to deploy, in terms of serious capital, because in a COVID world the demand is even greater for the product. However, what I reinforce is a contract, and the contract is we want to invest, but we need the right conditions. I talk about we need to create a healthier market structure; and healthier is about saying that our shareholders need to earn adequate return. We will deploy capital where we see governments supporting that principle. I have been actively engaged with the European Commission; I was with Commissioner Breton last week, and Vestager about three weeks before that. I am very actively engaged; we have got another industry meeting in a couple of weeks' time, talking about what makes a healthy industry structure and what things we need to have facilitated. I would say very much leaning into that, and they are listening because they understand the criticality now of connectivity if they want a digital society. If they want a digital, sustainable, inclusive society, they need to provide a healthier structure. I think they are acknowledging that. I tried putting in the presentation a number of evidence points. Of course, this is early days.

Then I turned to Portugal; Portugal is a really good example where we are saying that that spectrum auction structure was not providing a healthy industry structure. Essentially with no market testing, with no evidencing of market failure whatsoever, a new entrant was being given advantageous terms, both in terms of lower price of spectrum and no real obligation to roll out, but could just do national roaming. We said, 'Where is the incentive for people that are really investing into markets?' We had planned to put a centre of excellence with 400 FTEs into Portugal, and we put it on pause, because we said, 'We are not going to support governments that work against existing operators in that way, especially when we were there for the crisis. We have engaged; the regulator and government have changed the conditions, they have improved the conditions. Now the new entrant will pay full price and will have to roll out network. Fine, but in my opinion, and my team's opinion, they have not gone far enough; we still believe this is state aid, and we still believe that it contravenes European telco law. We are going to continue to litigate against them, and while we do that, we will have to consider the investments that we are making. Governments have to realise; if you want a healthy investment community, there is a balance.

**Georgios Ierodiaconou:** Very clear, thank you.

**Polo Tang (UBS):** Morning everybody, thank you for taking the question. I just have a question on Germany; because I think you mentioned in your presentation, that about a quarter of your broadband base was taking 1 Gbit speeds, and I think that the ARPU uplift was around about €5 a month as people upgraded. Can I clarify how we should think about the trajectory in terms of fixed German service revenues going forward? I think they were almost stable in Q2, so should we expect a pickup over the coming quarters? Given that you have such a speed advantage, in terms of German broadband, and given that you have been promoting your 1 Gbit speeds at €40-50 a month, do you think your broadband net adds in Germany should accelerate from here? Any colour around Germany and broadband? Thank you very much.

**Nick Read:** Let me provide the high level. We sit back and we say, we have done a really good job of upgrading our gigabit network; 22 million homes now are passed with gigabit speed. We are pleased with the execution in that respect. We have had a decent run rate that accelerated in the quarter, in terms of fixed broadband net adds, especially on our cable performance, so I would say we have got momentum.

Two things we would call out in Germany that we would like to see some improvement; that is retail performance in the unity area. We show a graph in Margherita's area where they have not been quite as good as we have been in the KDG. We had to harmonise some of the sales processes. Secondly our TV roadmap; of which we have got a clear TV roadmap this year. We have now harmonised the TV premium product. We have got OTT product coming, and then Vodafone TV product coming in the fourth quarter. I would say we are definitely focused on gaining more momentum, and a higher acceleration in the second half.

**Margherita Della Valle (Chief Financial Officer, Vodafone):** Maybe adding a technical point, the reason why you see the growth flattish in the quarter is wholesale. Wholesale has been a negative drag in Germany because we lapped the point in which the ULL fees were increased by Deutsche Telekom, and this affects the total growth rate.

**Polo Tang:** Can I maybe just pick up on something? You talked about TV, but how important do you think TV is in a converged bundle? If we look at Spain, you obviously moved away from football in terms of of Champions League and La Liga. We are actually seeing accelerating commercial trends, so overall how important is TV in a converged bundle?

**Nick Read:** I think it is very important over the long run, but the question is what type of bundle? What we are not keen on is paying huge fees for football within the bundle. What we would rather do is have commercial arrangements with someone, open within the market, like Sky for Germany, as an example. Our Vodafone TV simply, is bringing a 4K experience, ticks the EuroBox, with linear, plus apps, with harmonised search across all channels to surface the content you are looking for, voice activated so it is nice and easy for consumers to find what they are looking for, cloud storage for your recordings. We think that is the new execution for TV; we are scaling our position, we are in seven markets already. Germany launches as the eighth market in Europe in quarter four. Then we will migrate customers to that experience from the Horizon box and the GigaTV box.

**Polo Tang:** Great, thanks.

**Maurice Patrick (Barclays):** Morning guys. A key thrust of the presentation seems to be around boosting returns overall. A question on balancing the retail/wholesale side; you talked about return on capital employed only 5%, and actually falling slightly, you said you were not satisfied about it. Thinking about Germany and outside the rural areas, because you have a slide talking about lots of sharing and monetisation things you have done across the portfolio and not really Germany. If I think correctly about your utilisation network in Germany, it is about 30%. It is not obvious how you will grow the retail base that much, over the coming quarters - your thoughts on wholesale in Germany? I know you have got cable with Kabel Deutschland coming up - is that enough? Would you think about using Drillisch more, the historic partner of yours? It looks like you need a new partner, thoughts about balancing the retail, and the wholesale mix, and asset utilisation in Germany? Thank you.

**Margherita Della Valle:** Maybe I was reacting to your points around German growth more broadly first, before coming onto wholesale. German growth is flat at the moment, but it is suffering from the headwinds of COVID, as well as obviously the exit from the 1&1 wholesale deal. As I was mentioning earlier with Akhil, I think as you move into next year, you will see that the roaming headwind will go away, and then over time also the wholesale one. There are definite areas of growth into our German business, as you would expect, because we are driving convergence, we are driving cable penetration, we were mentioning earlier the upselling of cable to higher speed. All these are reasons why the retail revenues of Germany, which are already growing in the quarter by 1.8% if you exclude roaming, are expected to continue to grow nicely, I would say, in the coming future. I was just reacting to that before moving into the 'then what do you want to do with wholesale?'.

**Nick Read:** Look, we have clearly considered wholesale; we wholesale to TEF - we have been very focused at bringing that into action. I would say, what we like about that wholesale arrangement is; it does provide utilisation of the asset, but still protects our differentiation in the marketplace. Still we are focused at the higher speeds, and we are completely differentiated at the higher speeds. Clearly we are engaged and consider various options in the future and we will always look at opportunities as long as differentiation is maintained. Let us say the economics are acceptable.

**Maurice Patrick:** Great, and there is a quick follow-up. Someone just pinged me on Bloomberg to ask; how big the united internet revenues are at the moment, or the Drillisch revenues at the moment?

**Margherita Della Valle:** We have both fixed and mobile revenues in the mix, and the drag that they create on our service revenue growth at the moment is around one percentage point. The total amount, I think IR can be more precise, call it around €300 million between fixed and mobile.

**Maurice Patrick:** Great, thank you.

**David Wright (Bank of America Merrill Lynch):** OK thank you very much guys for taking the question. I was going to ask about the portfolio management side, once again; I think it seems like Egypt has wobbled a little bit, so I was looking to get maybe an update on progress there?

Second of all, relating to portfolio, and going on to the whole ROCE debate that I think has been fairly intense with some of the questions today. One of the things that was notable about Spain, Margherita, is that you chose to write down the asset, I think as you did that quite significant review of strategy. You do run across the Vodafone group right now, a fairly high level of intangibles and goodwill against your actual PPE asset base. So are there some opportunities to actually consider some of the values of assets acquired over the last ten years, when you are actually doing some of this return on capital analysis. To get a more fair picture, as it were, for instance, you acquired the Cable & Wireless asset some time ago, is that the kind of asset that you could reconsider the valuation of? So how are you actually thinking about the potential value of some of these significant goodwill and amortisation drivers that are holding group ROCE back? Thank you.

**Nick Read:** OK, Let me be very quick on Egypt; look due diligence is effectively complete and now STC are engaged with TE, Telecom Egypt. Why? Because Telecom Egypt is a significant shareholder, we have a shareholder agreement. Clearly there needs to be a shareholder agreement between the two of them, and therefore it is an important consideration on the go forward relationship. So we are not really a party to that conversation; that is really between the two of them, and we will see how they progress.

**Margherita Della Valle:** On the goodwill point, I would say that we see it very much as a strict accounting process that we need to follow. We will keep following under the framework of rules, aligned with our Audit Committee and our auditors. So it is very much driven by the mechanics of the accounting; do not read into it any real broader considerations. We just want to make sure that we are balanced and conservative from that perspective, because it is an area of attention, obviously, for all regulators from a financial perspective - this is what we are focusing on really. It is a very transparent and balanced accounting exercise.

**David Wright:** Just following on a little of that if I may, Nick, on the whole Spanish outlook you began two years ago; can you just give us a little bit more insight into that mid-term trajectory that you are really considering? We have seen one or two other major telcos in

Europe, and maybe even Spain, where they have talked about looking at return on capital employed and the assets have continued deteriorate, now they might even have to give them away. So, you know, are we talking, is it a five-year trajectory or a ten-year trajectory? Is there anything more you can give us on that timeline,that you are giving these assets, to really deliver?

**Nick Read:** When we talk over the long range plan, we are talking 3-5 years; that is the time horizon we look at. For Spain, as an example, we took structural actions, and I think sometimes people do not fully appreciate how many structural actions we took, in terms of the digital side, the transformation of the cost base, the network sharing, of course the network sharing is yet to really show in that five-year time horizon, but will increasingly be of benefit going forward. One of the other things we did, which is not so obvious, is we did something with Spain that we are adopting increasingly through our markets, which is; we wanted to simplify the business inside from an IT perspective – cost perspective, etc. To do that have to migrate your base onto forward-book pricing and forward-book tariffs. Hence, Spain is a really good example where the base is on speed-tiered unlimited now. That is important, because it means that we do not have this long legacy of lots of historical pricing, tariffs, etc., makes the tariff's people are on at today's pricing, so we are less vulnerable to today's pricing and promos. The other thing that we did an investment on, was to drive in commitment, so there is a substantial step-up of in commitment on the base, versus two years ago. Therefore, there is a number of things to make the actual customer base more resilient, which is why I think over the last five quarters you are seeing a good customer base performance, which we can build on going forward.

**David Wright:** Okay, thanks for that and thanks for that younger healthier looking picture of me. Thank you guys.

**James Ratzer (New Street Research):** Yes. Good morning and thank you very much indeed. Would love to go back, if possible please to the point around EBITDA growth and the phasing of EBITDA. In the full-year guidance you have given, you pick out, I think on slide 17, headwinds from roaming and then what you call other COVID impacts. I was wondering specifically, kind of what you are thinking about are those other COVID impacts, because the commentary you have given so far, actually sounded quite encouraging around B2B, so really trying to get an idea of what you see underlying EBITDA growth ex-COVID at the moment.

In terms of the phasing, just wondering what you can say about the synergies from Unity, because I noticed in the German slide you said, I think, €83 million of synergy gains, but then in the commentary later in the presentation you talk about, I think, it was €257 million are now locked in. Does that mean we are actually going to see the phasing impact from the Unity synergy start to accelerate from here on EBITDA? Thank you.

**Margherita Della Valle:** Sure, James, I will start with Liberty and the synergies and then move on to EBITDA. From a synergy perspective, when we talk about having locked in over €250 million, which is around 50% of the target over 4-5 years, essentially, we mean that we have already negotiated, for example, in procurement, the contractual condition that we deliver the savings or established the plans in the business to deliver those savings. These will come through gradually, over time. You have seen, I think, on the slide on Germany the exact amount that has contributed to the German EBITDA in this half-year, and we will continue absolutely to report on that going forward.

As I mentioned earlier, we are very pleased with the speed at which the synergies are being delivered at the moment; we are about six months ahead out of the first 12 months of execution. I need to say the teams have done a fantastic job there. However, clearly it is a multi-year plan, 4-5 years to get to the final goal, so I think we have a long road ahead of us. Again, we will continue to report regularly on it.

As far as then your question was around EBITDA – 'What do we see going forward from COVID and is there something beyond roaming?'. For roaming specifically, as I probably mentioned already earlier, less of a drag in the second half, maybe worse volume than in Q2 because of the lockdown. The other, more significant, impacts for us potentially are from the support that governments can give to businesses, or consumers in the case of Africa, for example, on the crisis. This support has been constant so far, and therefore we just want to draw out the fact that that is what has been driving the trends that we have seen. For example, if you are thinking about the debt, we have called out that we did not see a material impact on businesses so far. Clearly, I think our customers are also prioritising our services in the current crisis, and we will expect this to continue. However, there may be also support that is coming from these packages, and therefore we need to be conscious of the fact, that if some of these packages were going to stop or change significantly, that may affect our performance. That is what we wanted to call out.

**James Ratzer:** Thank you. Would you be able to give an estimate in H1 of what you think your organic EBITDA growth was ex all COVID impact?

**Margherita Della Valle:** I think it is probably simpler to stay on the ex-roaming and visitors. We have internal debates as well on how to portray this. I need to say, I think it is always easier to point to a single line in the P&L that you can see, without adding judgement elements to it. You have seen that EBITDA was minus 1.9% in the first half, and the drag from roaming was €270 million, so it would have been positive - around just under 2% ex the roaming drag, just narrowing it down to this. As you say, it was not the only impact, because clearly the lockdown affected us in Q1, however, I think it is the easiest metric to look at also because it will then pull off.

**James Ratzer:** Right. Thanks very much.

**Sam Mchugh (Exane):** Morning guys. Just a quick one on enterprise of account. You flagged a return to growth this quarter. When you look at European markets, where do you think you see the best scope for growth? On enterprise mobile, maybe you could just give a us a bit of colour about KPIs? The reason I ask is, increasingly we do see corporates installing apps on phones and substituting the enterprise phone for maybe the consumer phone. How should we think about deflation of the overall enterprise mobile market in the medium- to long-term? Is it something you worry about? Or are you pretty confident that you have got some great relationships, etc.? Thanks very much.

**Nick Read:** Sam, that is probably a question that could take an hour to answer, let me try and pull a couple of points. First of all, I would say that we are seeing big demand from businesses, small and large. Large customers predominantly want to upgrade capacity, want to upgrade next-generation connectivity - that plays to our strengths because we do not have the legacy product, we are more front-book selling, so that is a positive for us. Of course, we have got a very differentiated European footprint, that is another addition. We are the player you go to to start that conversation. I would say we are definitely gaining share; you can see that in the UK numbers, where you see large corporate movement more substantially I would say.

I would say the second area is about fees; SoHos and SMEs have all woken up to digitisation of their business model being critical. You are going to see part of the EU recovery fund targeted purely at SMEs and digital. We see, like vouchers for instance in Italy, as the first example, there will be many more of those. We want to stand for the champion for SME digitisation. If you look at what we are doing on our website, etc., it is the leaning into of that long-term trend, so we think that is an advantage for us going forward.

Then third, is just our own digital experience and the cloud and digital services. What some of the incumbents do is they try to create their own products. What we said is no, we need to get the very best-of-breed of those cloud and digital services, partner with the best in the market, bring it quickly in a suite and we put a Vodafone wrap around that, and then sell it in as total solutions. I think it is more agile, it is more front foot, and it is lower capital need on us going forward.

I do not know if you have any thoughts?

**Margherita Della Valle:** No, nothing specifically.

**Sam Mchugh:** Okay, thank you.

**Nick Delfas (Redburn):** Thanks very much indeed. Just one question from me on net promoter scores. You mentioned the net promotor scores for business. What's going on in consumer, and in particular, maybe country by country?

**Nick Read:** I'm pleased you ask, actually, because I think we had a very strong COVID response. I think it was really acknowledged that we showed leadership for our sector and generally sectors, we did all the right things, I think, for vulnerable, for SMEs, etc., and so for the first time ever, we've seen such a big step up on NPS. So for both business and consumer on average across the European big four, we've seen a 6 percentage point gain –it has been systematic, Africa - systematic. So, I think we are really delighted that not often you get that immediate recognition of everything you do, but I think we landed it.

**Margherita Della Valle:** Yeah, I think also the fact that we were at a certain stage already in our digital transformation helped, because if I look at some actions that we were running across our markets, particularly in Southern Europe, our apps had become really the anchor point, for example, for customers, and we had already developed full customer journeys through the app, and through online, that they could refer to; and we could also somehow train the customers who weren't for example used to top up online, to just go to the app and do it, and I think the ease of use came across really strongly.

**Nick Read:** The final thing I'd say is, I have never had so many business customers turn to me and say, the speed at which you got organised yourself working from home, and then reached out to us to help us through what was for them a big challenge of getting into a position of working from home, and that's really engrained in a lot of very C-suite people. Vodafone were there to help them, because they were in difficulties.

**Nick Delfas:** Thanks very much.

**Robert Grindle (Deutsche Bank):** Good morning and thank you. I'd like to take you back to H1 results last year, if I might, which seems like a lifetime ago, but not so long in telco terms. Back then you flagged near-term CAPEX on cloud, tower sharing, digital transformation, but raised the prospect that post-full year 2022 that we might be seeing CAPEX fall. So could we post-next year, see the double whammy of rising revenues, at least falling capital intensity, maybe even a triple if margins go up as well?

And a very quick follow up on David's question on Egypt. Nick, are you exposed to the cash-out for spectrum that just happened for the business? Thank you.

**Margherita Della Valle:** Robert, on the whammies on CAPEX, let's say that we're pleased that we are progressing well this year, with the 5G roll out, and no impediments from COVID, and we're executing within our 5 billion of free cash flow guidance well.

If I look into FY2022 and beyond, I would say maybe I can call out a couple of moving parts. I would say, on one hand, I think we need to take into consideration the implementation of the new tool kits on Huawei, which we do not have clarity on yet. On the other hand, I think you will see tomorrow through the presentation from Vivek, the impacts of Vantage. Vantage – I won't steal the thunder of Vivek – but has some very exciting growth opportunities, that we want to take, in terms of wanting growth CAPEX. This opportunity will in turn generate good, predictable cash flows for Vodafone and in total I would say not a very significant amount in the scale of our CAPEX, but we'll need to take those into consideration when we do our next plans.

And then on the other hand, I think there are two other elements that will be at play. First of all, network sharing deals. Probably, as part of the discussion we were having in the past, you know that they have a ramp-up phase that we are going through, and so we will see the benefits of the network sharing deals coming into play on our capital intensity soon.

And then probably worth mentioning also the EU recovery fund. You know that a substantial portion of that is earmarked for digital, or also for green initiatives, so we may have opportunities also coming from the European fund.

Now, all this we'll put into our next long-range plan. We will prepare a new plan for March and we will update you in May on how the next three years will look.

**Nick Read:** Yeah and Robert, just on Egypt very quickly. I would say that you know in Egypt we're the number one player; we have about 40% market share in that market. The other two players, sort of, in the high 20s; so considerable leadership. You saw in the auction that we secured more spectrum than the others, so all we're doing is extending our leadership in that market. It enhances our long-range plan and spectrum was a specific item in our discussion with STC.

**Robert Grindle:** Thank you.

**Jakob Bluestone (Credit Suisse):** Hi. Good morning, thanks for taking the question. I had a question on operating leverage within the business. You obviously talked a lot about how the synergy realisation is coming through faster than expected, and how you're sort of running a bit ahead of plan on some of the other cost-saving projects. If we look at your service revenues, it was down by about €120 million in the first six months and your EBITDA was down by about €80 million; there's not a huge difference between the decline in your service revenues and your EBITDA. If I look on slide 15, it looks like there was a €100 million increase in other costs. So can you maybe comment a little bit on what are some of these other cost pressures you're seeing? Is that something you expect to continue? And more broadly, should we be expecting to see more operating leverage going forward, given the various cost measures that you've got in the pipeline? Thank you.

**Margherita Della Valle:** Sure Jakob, I think we'll have opportunity to have other reviews where we can go into maybe more details of all the moving parts, but let me just say that through COVID we had some revenue movement which had high intensity of direct cost implications that may not be the, I would say, normal revenue movements. So for example, in the lockdowns in the first quarter, there was a sudden jump in incoming traffic, which generates revenues but no margin because clearly it's reciprocal. Equally, we have talked about roaming, and roaming that if you want is still happening, is very much intra-European roaming, which has revenues but equally costs, and therefore ratios which are not the normal ones that you will see in the business. So you have a number of areas which are a little bit skewed from COVID, which is why your equation of revenues minus OPEX is almost missing a part. But we can go into more detail if you want with the actual numbers in front of us.

**Jakob Bluestone:** Great. Thank you.

**Nick Read:** So, given that was our last question, can I take the opportunity of thanking you all for joining Margarita and myself. We will have the opportunity to spend more time with you and our investors over the coming weeks. Today was about demonstrating the resilience of Vodafone, the commercial momentum that we have off the back of the actions that we've taken, to strategically transform Vodafone. We are two years in to a long-term strategy but we are making progress at speed. Clearly, more to do but we look forward to that continued dialogue. Take care and stay safe.

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