

Transformational transaction positioning Vodafone for the future

3 September 2013



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Positioning Vodafone for the future

- US\$130 billion (£84 billion¹) disposal of the US Group whose principal asset is its 45% interest in VZW at an attractive valuation
- US\$84 billion (£54 billion¹) expected return to shareholders, equivalent to 71% of Net Proceeds²
- New investment programme (Project Spring) with £6 billion of organic investments over the next 3 financial years to further enhance network and service leadership
- Strong financial outlook and balance sheet
- Proposed dividend per share of 11p for FY 2013/14 (8% yoy growth) and intention to grow it annually thereafter

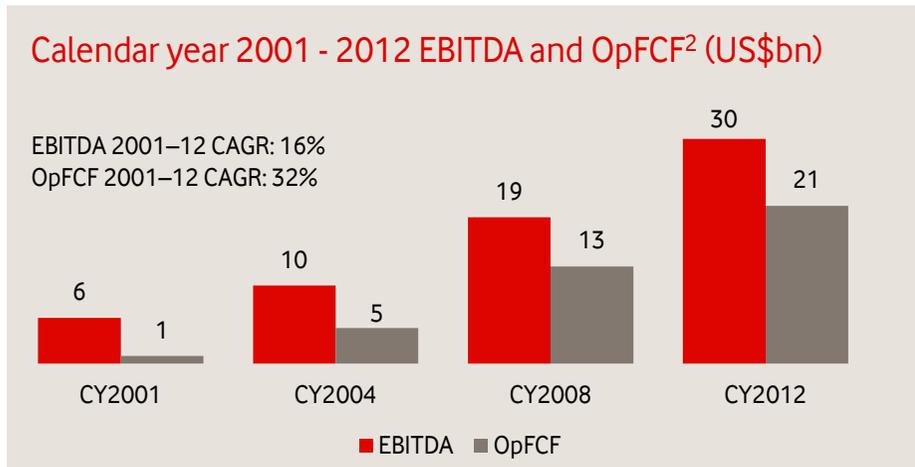
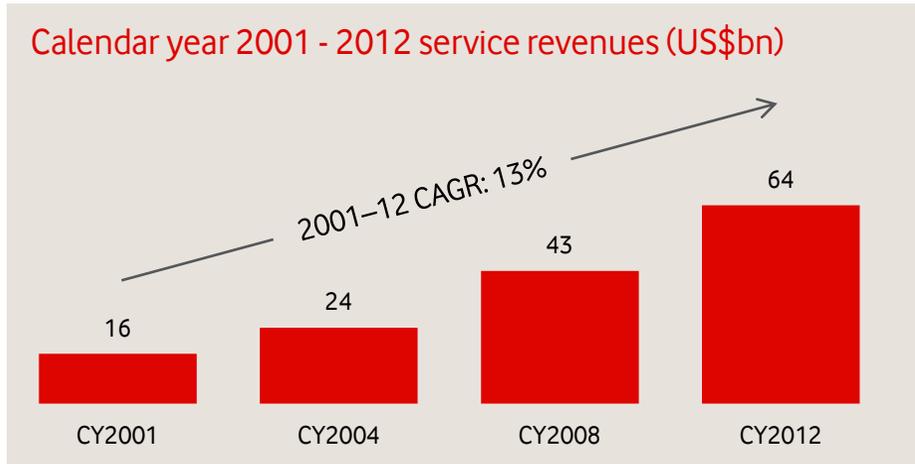
Notes:

1. The consideration is payable in US dollars and, as such, the sterling equivalent will be subject to movements in the US dollar / sterling exchange rate. On 30 August 2013, being the last practicable date before this presentation, the foreign exchange rate was £1 = US\$1.5482 and the conversion to sterling is set out for convenience. Assumes the Verizon share price is within the range of US\$47-51 per share. As at 30 August 2013, the Verizon closing share price was US\$47.38
2. As defined on page 4

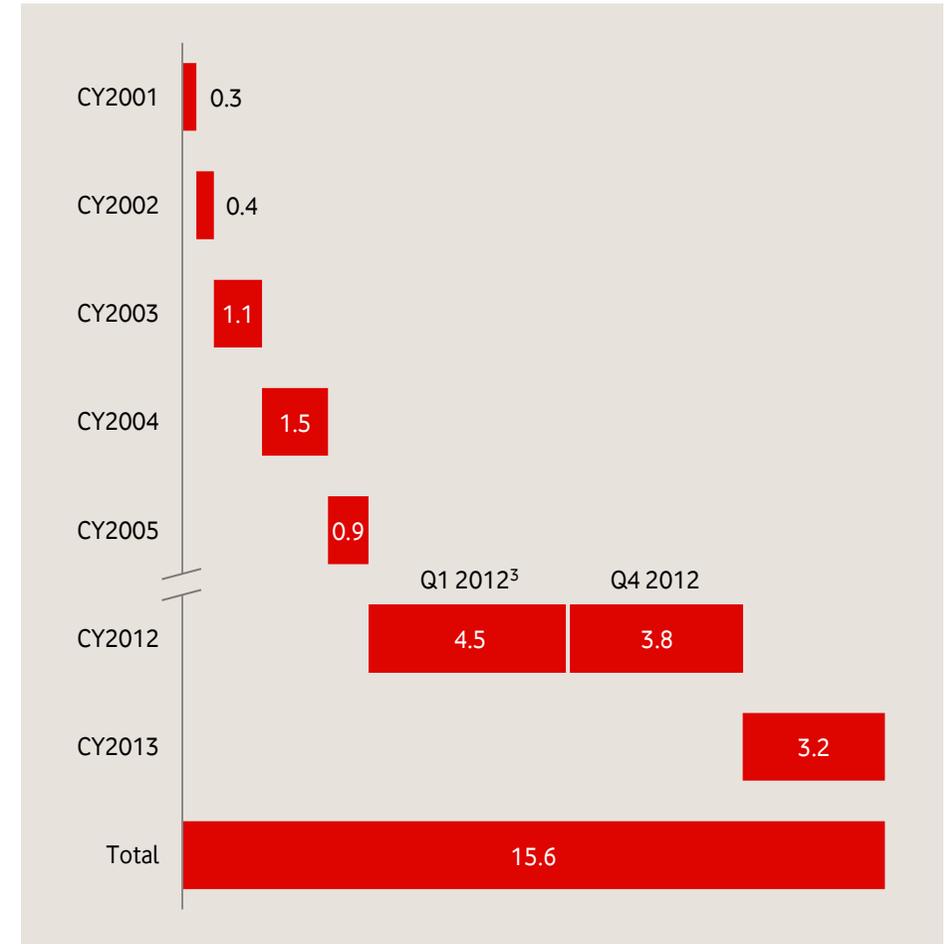


VZW – a strong value creation story for shareholders

Financial performance since inception



VZW income dividends to Vodafone (US\$bn)¹



Source: Verizon Communications financial reports

Notes:

1. Excluding tax distributions
2. OpFCF = EBITDA less capex (excluding spectrum)
3. Q1 dividend declared July 2011 and paid January 2012



US\$130 billion – consideration mix

	US\$bn ¹	£bn ²	Description
Cash	58.9	38.0	
Verizon shares	60.2	38.9	<ul style="list-style-type: none"> Fixed value collar of US\$47-51 per share (1,179 – 1,280 million Verizon shares)
Verizon loan notes	5.0	3.2	<ul style="list-style-type: none"> Senior unsecured floating rate notes with 8 and 11 year maturities
Verizon's 23% stake in Vodafone Italy	3.5	2.3	<ul style="list-style-type: none"> EV/LTM EBITDA of 4.6x and EV/LTM OpFCF of 6.7x³
Verizon assumption of Vodafone net liabilities	2.5	1.6	<ul style="list-style-type: none"> Net liabilities related to the US Group
Total consideration	130.0	84.0	
EV/LTM EBITDA ^{3,4}	9.4x		<ul style="list-style-type: none"> LTM EBITDA of US\$31.8 billion
EV/LTM OpFCF ^{3,4}	13.2x		<ul style="list-style-type: none"> LTM OpFCF of US\$22.6 billion

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3. Last twelve months ("LTM") as at 30 June 2013. Vodafone Italy net debt of €619 million as at 30 June 2013
4. Verizon Wireless net debt of US\$9.8 billion as at 30 June 2013



US\$84 billion (£54 billion) expected return to shareholders

		US\$bn ¹	£bn ²	% of net proceeds
Total consideration		130.0	84.0	
	Verizon's 23% stake in Vodafone Italy	3.5	2.3	
	Verizon assumption of Vodafone net liabilities	2.5	1.6	
	Estimated taxes	5.0	3.2	
Net Proceeds		119.0	76.9	100.0
Return of Value	Cash	23.9	15.4	20.1
	Verizon common stock	60.2	38.9	50.5
	Return of Value	84.0	54.3	70.6
Retained proceeds	Organic investment programme	9.3	6.0	7.8
	Verizon loan notes	5.0	3.2	4.2
	Reduction of net debt	20.7	13.4	17.4

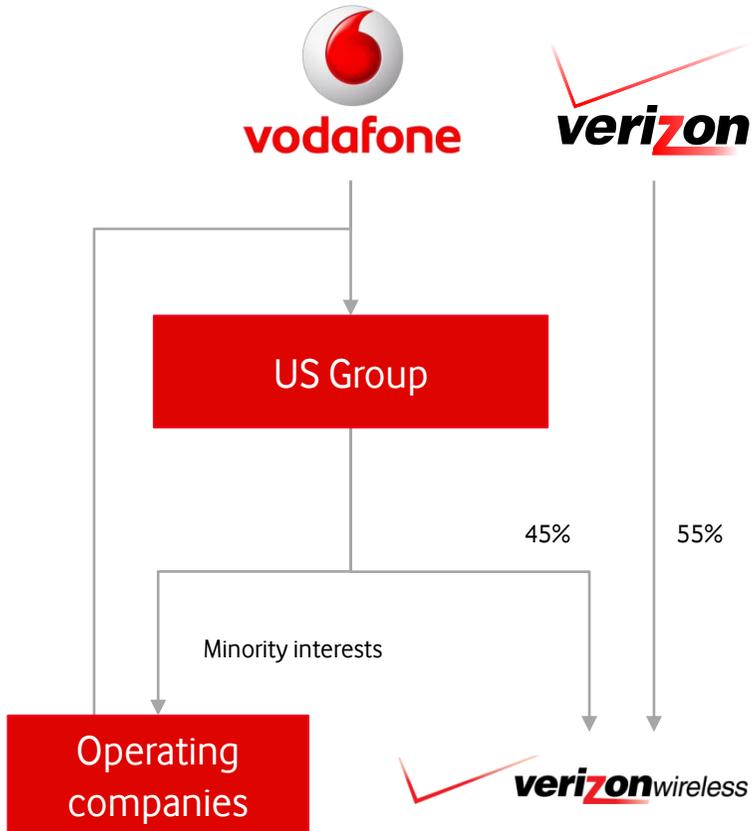
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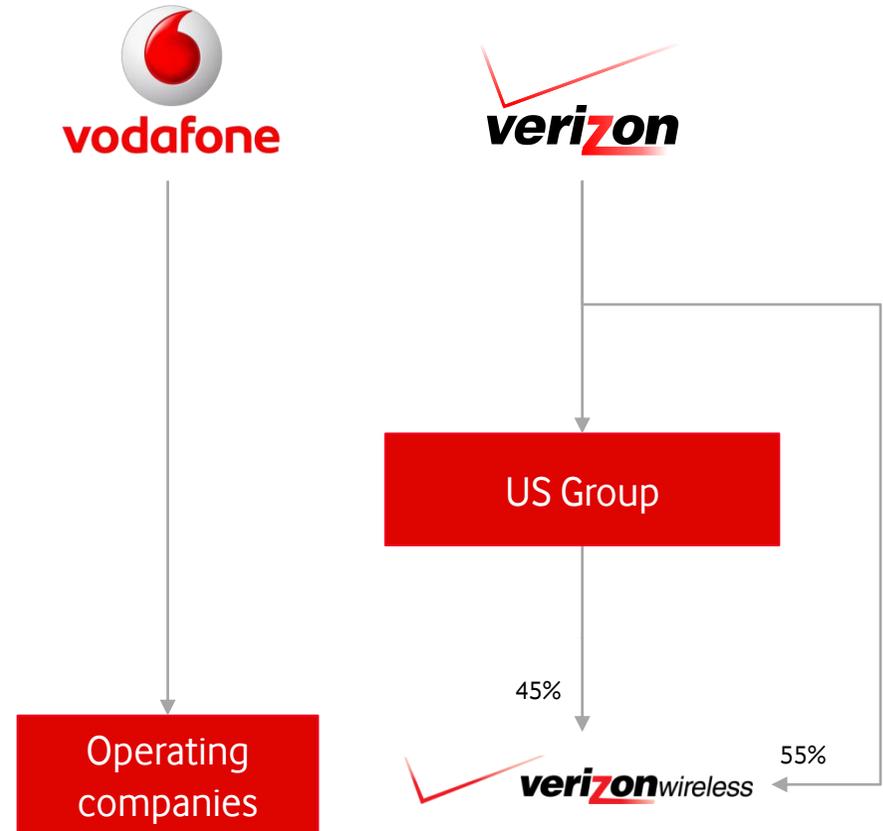


Transaction structure

Simplified current holding structure



Simplified post-transaction holding structure



Timetable and process

Shareholder return

- Return of Value to shareholders to be structured through a B share scheme implemented by a Court-approved scheme of arrangement and associated reductions of capital
 - Under the B share scheme, all Vodafone shareholders will be issued bonus shares
 - The bonus shares will subsequently either be repaid (capital tax treatment)¹, or the holders will receive a special distribution (income tax treatment)¹, depending on shareholder elections
 - In either case, shareholders will receive a combination of Verizon common stock and cash in US dollars
- In addition, at completion, Vodafone intends to effect a share consolidation to maintain comparability of share price before and after the proposed Return of Value

Note:

1. For UK shareholders

Timetable

Dec 2013	Publication of shareholder circular
Jan 2014	Vodafone general meeting and Court meeting
	Verizon stockholders' meeting
Q1 2014	Receipt of regulatory approvals
	Closing of Transactions
	Return of Value implemented

Conditions

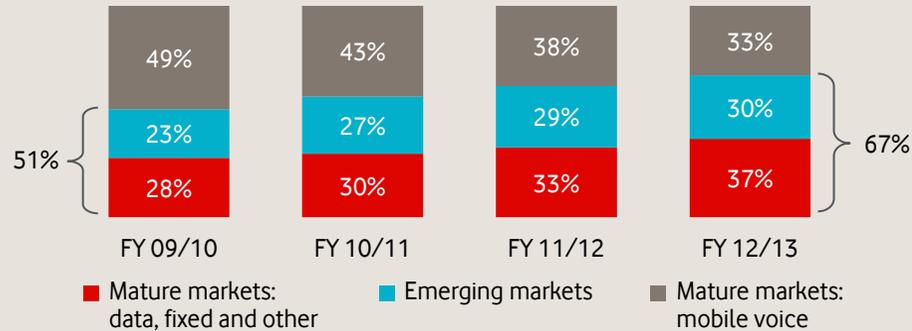
- Vodafone shareholder approval
- UK court approval (for Return of Value)
- Verizon shareholder approval
- Implementation of pre-completion reorganisation
- Regulatory approvals and consents
- Other customary closing conditions



We are delivering on our strategic goals

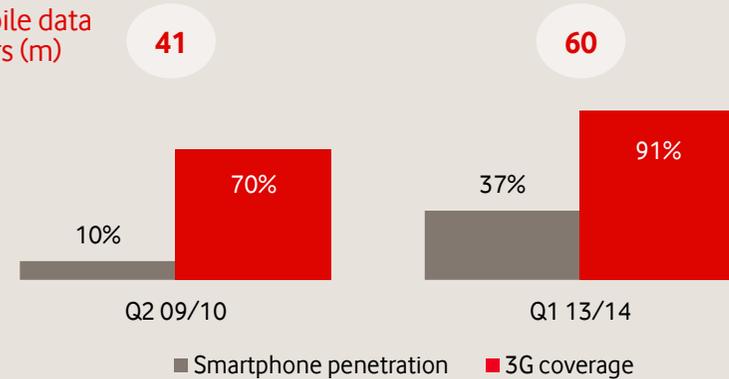
Transitioning the business to data and emerging markets

Group service revenue split¹



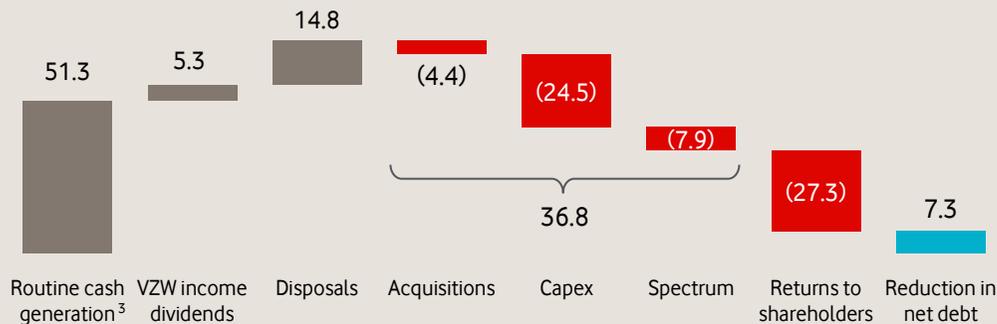
Driving the take up of data in Europe

Mobile data users (m)



Investing in the business and delivering shareholder returns

Cash movements over the last four years (£bn)²



- Strong cash inflows from operations and VZW dividends
- Disposals of material non-controlling interests (SFR, China Mobile, Polkomtel, Softbank) for a total of £14.8 billion
- Substantial investments in mobile networks, unified communications, enterprise and spectrum
- Over £27 billion cash returned to shareholders in the last 4 years
- Consistent track record of achieving or exceeding adjusted operating profit ("AOP") and free cash flow guidance

Source: Vodafone

Notes:

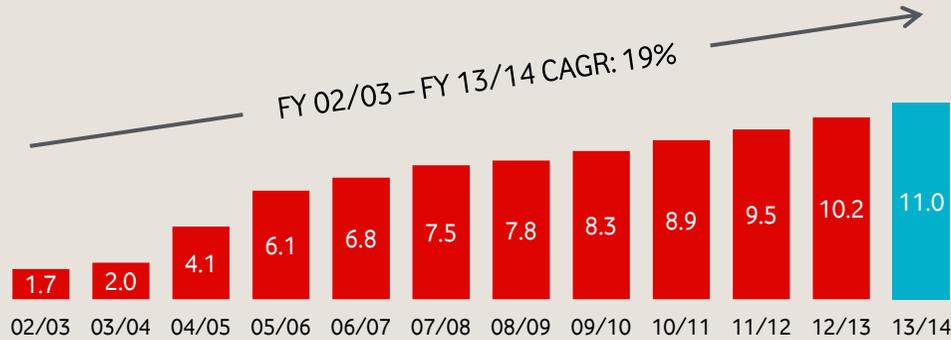
1. Emerging markets comprise: Vodacom, India, Egypt, Turkey, Ghana, Qatar & Fiji
2. Four years to March 2013
3. Includes tax and interest payments, non-VZW dividends and foreign exchange



A record of increasing shareholder returns

Long track record of dividend per share growth

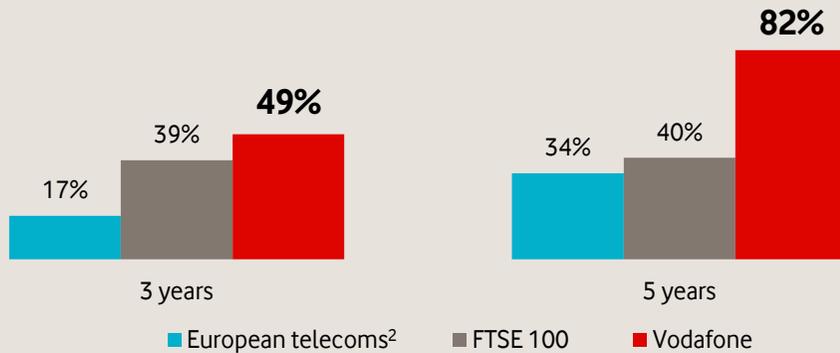
Ordinary dividend per share (p)



- Long and consistent track record of growing dividend per share annually
- In addition, £20 billion in share buybacks since FY 02/03

Leading total shareholder returns

Total shareholder return to August 2013¹



- We have outperformed the sector significantly on total shareholder returns

Source: Bloomberg

Notes:

¹ At 28 August 2013 (undisturbed price)

² Euro STOXX 600 Telecoms index, calculated in GBP



Vodafone 2015

Our vision

A scale Data company

A strong player in enterprise

A leader in emerging markets

A selective innovator in services

A cost efficient organisation

Our strategy

Consumer 2015

Enterprise 2015

Network 2015

Operations 2015



Project Spring – key opportunities

Data opportunity in Europe: today **1 in 3** people use their smartphone to watch videos or TV.
This will rise to over **2 in 3** by 2015¹

Data opportunity in emerging markets: smartphone penetration is only **9%** in India (37% in Europe²)

4G opportunity: average data usage per smartphone around **2x** on 4G vs. 3G.
4G frequencies being released across Europe right now

Enterprise: Enterprise is **27%** of our service revenue, and a growth opportunity

Networks: data usage is growing **60%** YoY and is now **88%** of total traffic in Europe²

Convergence: opportunity to **double** Vodafone's addressable market over mobile-only¹

Notes:

1. Vodafone estimate for Europe
2. At June 2013



Project Spring – key principles

- Focus on core strategic pillars of data, enterprise and emerging markets
- Commitment to compelling branded customer experience
 - Superior 4G for Vodafone customers
 - Deepest 3G coverage in market
 - FTTx/VDSL resale into the home/office
 - Strengthened direct distribution
 - Online/m-care ease and functionality
- Leverage scale Group wide – e.g. Vodafone Red, Enterprise services portfolio, VGE
- Grow value share through increasing differentiation, improved ARPU and lower churn



Project Spring – £6 billion organic investment over the next 3 years to enhance network and service leadership further

Focus	Ambition	Description	Illustrative split of investment
Mobile network	<ul style="list-style-type: none"> Deliver leading network performance in each market 	<ul style="list-style-type: none"> Faster 4G deployment – >90% coverage by 2017¹ Accelerate single RAN and high capacity backhaul Increase 3G capacity and coverage in Europe and emerging markets 	45-50%
Unified communications	<ul style="list-style-type: none"> Increase fast broadband access via a flexible market-by-market approach 	<ul style="list-style-type: none"> Extend planned NGN footprint and accelerate deployment Widen NGN/VDSL resale reach Selective fibre in urban areas for emerging markets 	20-25%
Enterprise	<ul style="list-style-type: none"> Enhance capabilities 	<ul style="list-style-type: none"> Invest in growth areas: IP-VPN, Cloud, Hosting and M2M Leverage carrier services platform 	10-15%
Retail & customer experience	<ul style="list-style-type: none"> Drive an improved, simpler, and faster customer experience 	<ul style="list-style-type: none"> Upgrade distribution presence, both online and retail Faster deployment of mobile payment services 	5-10%
Customer support systems	<ul style="list-style-type: none"> Modernise and standardise IT systems for the data era, to increase flexibility and reduce cost 	<ul style="list-style-type: none"> Accelerate development of new platforms, replicated cross-border Reduce/end investments in legacy systems 	10-15%

Note:

1. 5 main European markets



Strategy for convergence in Europe

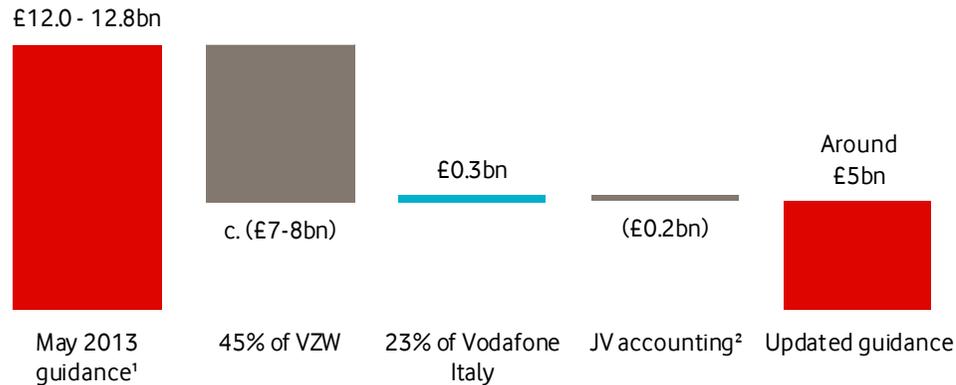
Progress in implementing access to NGN infrastructure via flexible market-by-market approach

Strategic options	Benefits	Conditions	Vodafone
Wholesale	Low capital Fast time to market	Regulatory clarity and competitive conditions	Germany: wholesale NGN agreement Netherlands: Reggefiber; ~20% coverage Italy: Metroweb consortium in Milan and nationwide wholesale access
Fibre deployment	Full control Backhaul synergies	Appropriate duct sharing / access conditions	Portugal: co and self build; 12% coverage Spain: co-build commercial launch by March 2014
M&A	High synergies Fast time to market	Where value creating and sufficient scale	Germany: offer for Kabel Deutschland UK: CWW acquisition; 20,500km of fibre



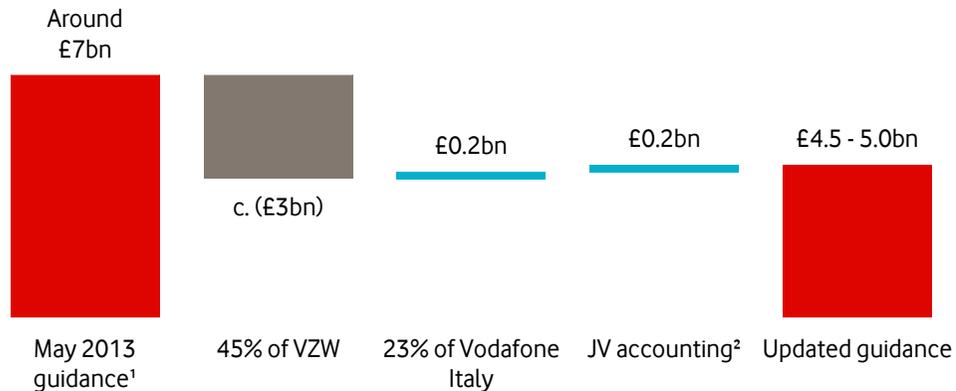
Reconfirmed financial outlook

Updated FY 2013/14 AOP guidance



- FY 2013/14 statutory view not representative of Group performance
- Guidance restated pro forma for the transactions
- No change to performance assumptions that underpinned May guidance

Updated FY 2013/14 FCF guidance



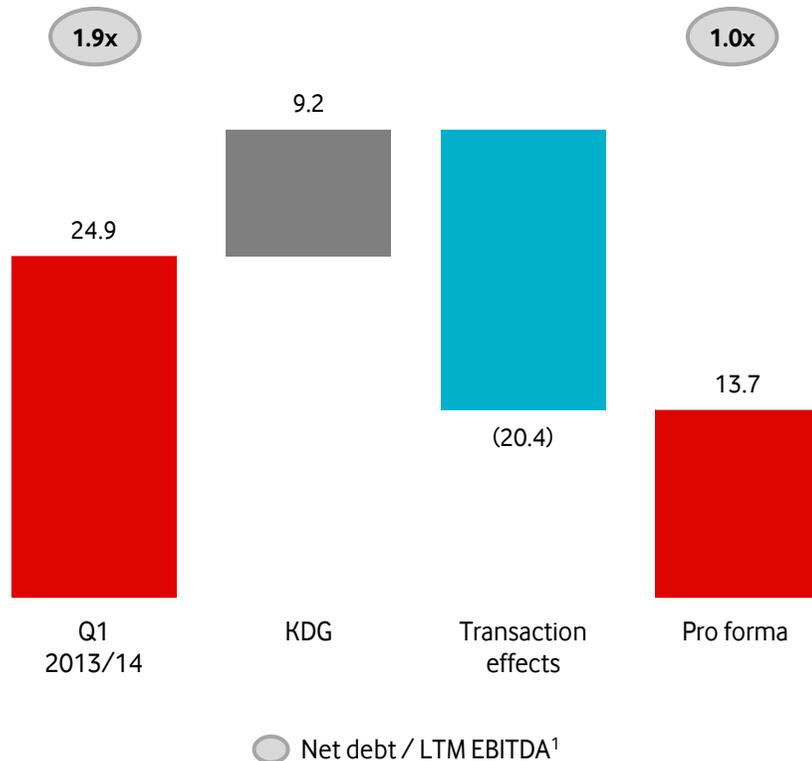
Notes:

1. Pro forma guidance for the 2014 financial year assumes exchange rates of £1 = US\$1.52 and £1 = €1.17. It excludes the impact of licences and spectrum purchases, material one-off tax settlements, restructuring costs, purchase accounting adjustments on the Vodafone Italy Transaction and the proposed acquisition of Kabel Deutschland. It also assumes no material change to the current structure of the Group or any fundamental structural change to the Eurozone
2. To adjust basis from proportionate consolidation to equity accounting



Strong financial position and growing dividend per share

Pro forma net debt (£bn)



- Proposed FY 2013/14 dividend per share of 11p (+8% yoy) and intention to grow it annually thereafter
- Scope for additional returns to shareholders in the medium term, depending on operating performance and the availability of value creating investment opportunities
- FCF dividend cover significantly improved
- Vodafone will retain a strong balance sheet and expects to maintain a low single A rating

Current long term credit ratings

- Target low single A rating

Moody's	A3
Fitch	A-
Standard & Poor's	A-

Note:
1. LTM as at June 2013



Vodafone is strengthened for future growth

- Attractive, controlled businesses across broad geographic footprint
 - 409 million customers and a globally recognised brand
 - Diverse revenue streams (73% consumer / 27% enterprise, 70% mature / 30% emerging markets)
 - No. 1 or 2 mobile position in most markets
 - Leading position in mobile enterprise and growing presence in unified communications
- Further enhanced by Project Spring
 - New investment programme with £6 billion of organic investments over the next 3 financial years to further enhance network and service leadership
- Growing shareholder returns underpinned by strong FCF generation and balance sheet
 - Proposed 11p dividend per share for FY2014 (+8% yoy) and intention to grow it annually thereafter
 - Reconfirmed financial outlook with £4.5 - 5.0 billion FCF guidance for FY 2013/14
 - Pro forma net debt/EBITDA of 1.0x



Q&A

