



Vodafone Group PLC Q3 FY21 Trading Update Live Q&A

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Q3 FY21 Trading Update

Nick Read

Chief Executive, Vodafone Group PLC

Welcome

Good morning everyone and welcome to our Q3 Trading Update. I am joined by Margherita. Morning, Margherita.

Margherita Della Valle: Hello.

Nick Read: We have an opportunity just to go through the results and Q&A with you. We attached a short presentation on our IR website. We are not going to go through page by page on that. However, what I thought I would do is give you a one-minute summary of the key messages.

Key Messages

Back to growth

First and most importantly, we are back to growth. That growth was an improvement in our underlying performance and also a lower drag from roaming. We also had a very good performance in Germany, our largest market.

Commercial performance

I was really pleased with the consistent level of commercial performance. We saw mobile European contract churn, year to date, down 1.1 percentage points, continuing a trend in terms of customer loyalty and better economic model for us, as a business. Secondly, we also saw good NGN fixed broadband customer net adds of 330,000 for the quarter. That takes us to over a million, year to date, so really good additional momentum on the fixed side.

Germany

In Germany, we added almost 100,000 cable net adds over the quarter. Importantly, 40% of our cable additions are choosing the 1 GB plan, which is key for our differentiation as a business.

Italy

In Italy, we have seen some recent improvements in the pricing landscape at the lower end, as of the start of January, so not in the quarter itself. Importantly, we are starting the migration process of our new MVNO contracts onto our network, which will be a positive for next fiscal year.

UK

In the UK we continue to maintain good commercial momentum and as you saw, we put through, in December, our new pricing of CPI + 3.9% for new customers.

Spain

In Spain, our service revenues continued to stabilise further with quarter-over-quarter improvement and we managed a price increase in the month of November in what was a highly promotional and intensive quarter. I think we landed that very well.

Vodacom

In Vodacom, good, strong performance continues in South Africa. Importantly, in the international markets, the zero rating of peer-to-peer has now ended in the month of January for all of our markets, so we are now charging again for M-Pesa.

Vodafone Business

Vodafone Business, which is about a third of our business; really good, growing share, strong demand for our products and high usage, given the pandemic. We have really seen a tailwind for Business.

Summary

Good overall performance, therefore underscores our confidence in our full-year outlook and we have reiterated our guidance of over €5 billion of free cash flow. Importantly, we continue to make progress on our strategic initiatives. We were able to commercialise the joint venture with Telefonica, in the UK, on towers, therefore allowing us to move our 50% underneath Vantage Towers which is firmly on track for an IPO early this year. On that, let me hand over to you all to ask questions of Margherita and myself.

Q&A

Maurice Patrick (Barclays Capital): Morning guys, thanks for hosting the call today. A question, maybe, on the trajectory of service revenues, if that is okay? You saw an improvement this quarter, as you have called out much of that seems to be the lower roaming drag, as it is traditionally a lower quarter, I guess, in this quarter. So I guess the question is: I am not expecting you to give guidance for the quarters ahead on service revenue, but maybe you could give us a hand with some of the puts and takes for the fourth quarter and maybe for next year? I am sure you will talk about the continuing roaming drag in the fourth quarter, but given you are growing by 1.8% now, and as we see a gradual recovery, the hopes are there that you will see accelerating growth into next year. Maybe thoughts on that would be helpful. Thank you.

Margherita Della Valle: Hello Maurice. Yes, we are very pleased to be back into growth and I would say *firmly* back into growth. We have good momentum. Nick mentioned the fact that our growth rate, excluding roaming drags, is now 1.8% for the Group. It is worth noting that we are also back to growth in Europe, excluding roaming.

I think you were right, on quarters I prefer to avoid giving specific guidance. As you know, 0.1% is less than €10 million for the Group, so we would avoid that. However, we are definitely looking into next year as a year of acceleration for this growth and I would call out two reasons for that. The first one is the strong demand for our services that Nick mentioned. Vodafone Business is, today, back into growth, including the drag on travel. It is growing 1% and if you exclude the drag from roaming, it is growing more than 3%. We see this strong demand across the whole spectrum of segments, in Business, I would say, from the public sector all the way to SMEs. It is particularly strong around fixed connectivity and digital products. We really believe that, in fixed, we are seeing a growing market in which we are also specifically growing share. Maybe to give you more information on that, we have, as you know, an Investor Day dedicated to Business coming up, because it is a third of our revenue; it is an important point.

Number one is demand and number two is also commercial momentum. We have had lockdowns in Europe again, in Q3 but as you have seen from the results, we have maintained good commercial momentum, particularly in Germany. As Nick mentioned, almost 100,000 connections in cable but also similar volumes in mobile, so a good performance maintained despite the lockdown. On the back of this, we are really looking forward to coming to Q1, where we will see the underlying performance emerge as *the* growth rate for the Group. Our focus, as I said, will be on seeing this accelerating over time.

Maurice Patrick: Great. Thanks very much.

Nick Read: I would just add, one build on Margherita's points. There is a lot of momentum, as you can see from her summary. I would also say: just the pricing climate. You are basically seeing customers showing a deeper appreciation for quality networks. You are also seeing, I believe, governments, regulators starting to understand the need for investment into high-quality networks. Therefore, the industry needs to earn a return. I think there is a little bit more latitude to discuss pricing in this environment. Therefore, as I said, the UK has got the new formula, which seems to have been adopted by most of the players in the industry. You have Germany now just putting through, under the draft rules, a simpler way of doing price increasing. You have ourselves and TEF increased prices over the quarter in Spain and you are seeing the low end in Italy. I think it is a climate where people start to appreciate the quality of networks. I would not say that gives a strong pricing power but it just gives a little bit more latitude to do targeted, more-for-more pricing.

Maurice Patrick: Great. Thank you very much.

Sam McHugh (Exane): Thanks guys. I have a question on B2B and apologies if it does front-run some of your investor day. I guess B2B was one of the good parts of this quarter. You flag out fixed B2B growing around 5%, so I guess the implication is mobile is still falling 1% or 2%. I wonder if you could give us some colour on that mobile decline. Is that just roaming? I am just trying to understand if the core B2B mobile business has stabilised, in terms of pricing and subscribers. Do you think your B2B business can outgrow the consumer business in the medium term?

Margherita Della Valle: Sam, you are absolutely right. The drag on mobile revenues in Business is coming from roaming. Excluding roaming, we are also seeing an accelerating momentum there and I think this is quite important. We are seeing an accelerating momentum particularly in our main markets of UK and Germany. When I was saying there is strong demand, there is also strong demand for some of our mobile products. Take as an example, IOT which is within mobile. We have had, I think, the highest quarter of IOT connection in Q3 since at least four years, so a record quarter. When we also talk about public sector demand, we see an increased demand for mobile connectivity coming from these areas. I definitely would say that mobile as well is on the up and the only reason why it is negative is roaming. Again, next year, as we lap into Q1, we will see the roaming drag fall away. Then, at some point in the future, which I think is yet to be determined, the roaming may also become a tailwind, which will be particularly important in Business.

Nick Read: Yes, just one quick build. I do think that a lot of incumbents are associated with a legacy, whereas we are seen as more of a front, modern set of products and services. So, now all SMEs and public sectors, to Margherita's point, are waking up to the fact they were

caught out by the pandemic and they need to digitise. I think that they are turning to us because they see us as a modern solution set, which I think plays to our strengths.

Sam McHugh: Fantastic. I look forward to hearing more about it.

Margherita Della Valle: Thank you, Sam.

Georgios Ierodiconou (Citigroup): Good morning and thank you for taking my question. I wanted to ask a follow-up on the pricing comments you made earlier. Obviously, price increases landed very well in the UK because everyone followed. In Spain it looks like there is a small increase in churn. I do not know if it is directly linked to that or maybe other market dynamics? If it would be possible to give us an idea of how you are thinking about different markets over the next year? On the comment you made about Germany, whether it is something that could be implemented shortly or will it take a couple of years for the implementation? Thank you.

Nick Read: Georgios, what I would say is pricing is very specific to each individual market: where the price table is today, what the competitive intensity is and what the objectives of different players are. What I would say specifically about Spain is, is it was not really the price increase that was the key driver. It was more the fact that the market got more aggressive. I think Orange wanted to reassert itself in the marketplace and made a stronger promotional play and some repositioning. You had a number of other low-end brands reposition as well, with Virgin coming into the market. I would say it is more to do with everyone repositioning around us and then ultimately we repositioned to those new prices in early December. We saw, December and January, we went net positive again.

All I am saying is we have set the Spanish business up to be able to compete if people lower prices. At the same time, where there is opportunity to do more-for-more, which we did, we will. If others do them, we will take that on board as well, so I consider us a very rational player.

I think Italy I would call out as a market that was not able to do any pricing actions and normally we do do pricing actions. I think next year, the climate could be a bit different. I think all players need to improve performance and returns. I would say the German market has been pretty benign for a while now, I am not saying that you should expect headline pricing action, but I think what you will see is more-for-more happens wherever possible and maybe more base actions.

Georgios Ierodiconou: Thank you.

Carl Murdock-Smith (Berenberg): Morning and thanks for the question. I just wanted to ask about the acquisition of the Kabel Deutschland minorities. In what ways will this help to simplify and improve the efficiency of your German operations? Also, why now? Why the decision to acquire the minorities now, as it is accretive and credit rating neutral? What stopped you from achieving that previously? Thanks.

Nick Read: What I would say is, it is not really an operational impact per se. It was a lot more to do with the fact it was financially attractive. Essentially, as you say, it was both adjusted EPS and free cash flow per share, accretive immediately and it was neutral to our credit rating. I think, importantly, to your point of timing, these disputes in Germany can run decades, as you saw with Mannesmann. So, at some point, you do not want the distraction

and at some point you want to try and eliminate any possible downside scenario, which this did, at an attractive price.

Margherita Della Valle: Maybe just to add that in terms of being able to find an agreement at an attractive price we just had received a favourable ruling from the Munich court, which may have supported our case.

Nick Read: Yes, very true.

Carl Murdoch-Smith: That is great. Thank you very much.

Robert Grindle (Deutsche Bank): Thanks very much, good to see you both. You have decided to split your Technology division, under Johan, into Networks unit and I think it is Digital & IT. Please could you share some of your thinking behind this move? Is it about costs and efficiency, or are you thinking more along the lines of you are a network co and a service co separately? If that is the case, does that apply to fixed as well as mobile? Thank you.

Nick Read: Robert, I am really pleased you asked the question because actually these are significant changes we are doing on the operating model of the business. I would not describe them the way you did, so, maybe I could have a go at describing them slightly differently? What we are doing is we are driving greater standardisation across Network and IT & Digital. Today we are organised with CTOs in each of the markets and then we have Group functions. What we are doing is vertically integrating those functions, Network and IT & Digital, for the whole European group so they act as one organisation driving a standardised roadmap. I believe what this has delivered for us, is it leverages our true Group scale. It drives greater efficiency because standardisation drives efficiency and the third is it improves speed to market of the products and solutions we are bringing to market.

So, there are four components. First is, it is a new Group product development process. Imagine we will have one Group roadmap for products. Let me pick an example. Consumer IOT: you are seeing us develop one platform for the Group and one set of products that then can get launched across the footprint. That is where the speed to market comes from. The second thing is, we are focusing on platforms and we are going to place platforms as centres of excellence. You might have consumer IOT as one centre of excellence that coordinates in a distributed model across our European footprint. The third is, we are going to insource IT development engineering capability versus what has been historically outsourced. We already have a significant insourced activity but we are really going to scale that to develop our own IP going forward to make our differentiation stronger. Then, finally, we are going to use those standardised platforms and integrated European organisation from the technology perspective to make it easier for third-party strategic partners, the Microsoft's, the Amazon's etc., to connect with our platform and go across our footprint, seamlessly and at speed. An example would be AWS and edge computing, or Accenture and a security product.

This is really turbocharging Vodafone to deliver on our bigger vision of a next-generation telco, from more of a classic telco historically. Of course, in the process of doing all of that there are significant synergies. It will help support the €1 billion OPEX target, the three-year target we have talked about before, but also it provides us with resources to invest in growth going forward and maintaining that balance. I think it is a really big move for us.

Margherita Della Valle: Yes, sorry to add something, but I am being very passionate on all this, as Nick knows. I think it is a great move in terms of return on capital because our investments will go further. We will get more growth for our investments by, wherever possible, investing once and deploying many times. I think it is a natural evolution versus where we were, but it is a great step to maximise the potential of the Group.

Robert Grindle: Thanks.

Adam Fox-Rumley (HSBC): Thanks very much. I actually wanted to ask about the cost implications of your new greenhouse gas emission reduction targets, please, because while 2040 is a long way off, I think your Scope 3 target is very ambitious. I therefore wondered if you could comment: are extra costs involved in the medium term to get that going or does the time frame mean that you can just wrap it into your existing operating plans? Thanks very much.

Nick Read: Adam, can I just say, I firmly believe and our ExCo believes, that it is more a question of we cannot afford the cost of not taking action, more than obsessing about the cost of action. If you think about the future, the next ten years, 20 years, you think about carbon tax, you think about regulation, you think about government, multinational corporate bids and how you qualify, we think inaction would be very, very expensive. Our energy bill, Margherita correct me if I am wrong, is something like €0.7 billion.

Margherita Della Valle: Yeah.

Nick Read: We are concerned that that would only escalate at a rapid rate with carbon taxes and various other things. So we think this is responsible from a society perspective but also very rational from a business perspective as well, which is why we feel this is a win for all stakeholders.

Margherita Della Valle: It may be worth adding that we are starting to win some business on the back of our environmental objectives. We have recently done a deal, probably I cannot specify which one. However, you can start to see that our environmental credentials become a critical factor in winning business in Vodafone Business. Italy and Germany networks are already 100% renewable. The rest of Europe will be there by July and this I think is an important step for our most conscious customers.

Adam Fox-Rumley: That is a really interesting answer, thank you.

James Ratzer (New Street Research): Good morning Nick, good morning Margherita, thank you very much. A great set of results and encouraging commentary about returning to growth. With that in mind, I would just love to hear an update on your thoughts about potential cash return to shareholders. I think, in the past, you have talked about considering incremental returns when you got down to 2.5 times net debt to EBITDA. Is that still your thinking at this stage or are you willing to show more flexibility around that, especially with the upcoming Vantage Towers IPO? If I could ask a very quick extra one: you flag, in Italy, the PostePay and Digi MVNO. Could you quantify what the revenue run rate of those will be when they are fully integrated onto your Italian business? Thank you.

Nick Read: I will leave both to you Margherita!

Margherita Della Valle: Thank you Nick! On returns to shareholders, as you know James, we have three capital allocation priorities. First is invest in our critical network infrastructure.

The second is deleveraging. To your point, we have a clear intention to move towards the lower end of our 2.5–3 times net debt to EBITDA range. The third is to provide attractive returns to shareholders.

On leverage, we are really focused now on moving down, so that is the priority we are thinking about and you should think about for the coming months. I think the two key levers there for us will be the return to growth. We have talked about revenues today but we clearly see ourselves, after the COVID pause, to be back into EBITDA growth next year and this will be a key driver for deleveraging. Then, also the IPO of Vantage Towers. Then, probably as you may remember, we have our mandatory convertible bonds approaching maturity, with the first tranche in March. We will have to deal with that. So, I think nothing surprising I would say compared to what we have always said we would do: focus on deleveraging.

On your second point, on the MVNO deals in Italy, two deals but two very different deals. Digi in Italy is a very small ethnic MVNO, whilst PostePay is the second largest in the market if you take out Iliad, or the first pure MVNO, so a very different level of materiality. We have started the migrations now and of course I cannot disclose precise numbers because these are private contracts. However, in terms of phasing I think you should expect Poste to reach run rate around the half-year and sort of grow between now and then.

Nick Read: James, just one build on the dividend point. I really feel that lowering our leverage to the lower end of the range will remove the discount I feel we are giving on the dividend we already do pay, given the dividend yield and the share price where it is. So I think it is an important consideration on the share price itself.

James Ratzer: Okay. Thank you.

Jakob Bluestone (Credit Suisse): I had a question on your thoughts post the acquisition of Telxius by AMT. Could you maybe share a little bit what you think it means, first of all, for the towers market but also what is your current thinking longer term about the impact from Drillisch, given there clearly is more support coming from more independent tower companies? How do you think that will impact your retail business more long term in Germany, as that becomes more of a reality? Thank you.

Nick Read: Look, it was an interesting transaction and it did make me reflect. First of all, I feel, two years ago we made the right decision to stand up our towers as a separate business with a dedicated focus because we took the view that consolidation will play out in the European market, that this would be an important asset in a digital society going forward. So, number one, I am very pleased that we did the action when we did because now we are very much in a position to shape the market with Vantage Towers. I think it is well equipped to do that.

Secondly, I think the multiple was an attractive multiple and so a nice reference to have out there. I think third for me is it really highlighted just what an opportunity the German market is and I think Vantage Towers is very much positioned to do well in the German market. So, from my standpoint these are all positives.

I do not think it overly changed the competitive landscape; these players were there already. I think us having a dedicated team, a dedicated focus, having the high-quality assets and the

ability and balance sheet to grow both organically and inorganically, was really important to position at this moment in time.

Look, they will examine German opportunities. 1&1 will be one of those opportunities that they will actively review and participate in, as you would expect. I think, from a 1&1 perspective, the good news out of the draft telecom law was that there was still no mandatory obligation on national roaming. It is still to be commercially negotiated and of course we are actively participating in that. So they have to decide to stand up their network and the cost associated with standing up that network. Clearly their focus is going to be in the more urban areas and they only have a certain amount of spectrum. Spectrum will not be the same and so therefore the network quality will not be the same.

I see them as participating in an area of the market where there are second brands and other value brands today. Of course, we will have to adjust our strategy to compete on different value segments with our position. However, I still think, strategically, you stand back on our own position and we have a truly unique differentiated gigabit network, now covering 22 million homes already, with DOCSIS 3.1 rolled out, with high-quality mobile network. You see the momentum in our most recent quarterly results.

Jakob Bluestone: Thank you.

Akhil Dattani (JP Morgan): Hi, good morning. Just a quick question on the topic of in-market consolidation please. I guess, as I am sure you have seen, there is a lot of speculation on Spain at the moment and the prospect of potential deals there. I am sure there are limits in terms of what you can say. However, I guess, some high level comments in regards to your thoughts around the organic versus inorganic options in the market? The only specific question around it is just to understand, if you ever were to consider a deal, is consolidation a mandatory requirement for any transaction, or would you consider other options which could lead to deconsolidation like in Ziggo?

Then, just a kind of follow-up question which is a bit broader. When we think about regulation, Nick, you obviously talked about regulatory issues in Europe. To what extent does the UK consolidation decision from the European parliament matter? How significant is that when we think about the prospects of broader consolidation in Europe?

Nick Read: Okay. I think I got the a multi-level question. Look, I would say, with Spain, I am not going to get drawn into what has been long-running speculation. I think you see from our results, our Spanish business maintains its momentum. I think the repositioning we did really did strengthen us both commercially but also from a cost base perspective, to allow us to compete at all the tiers.

Now, clearly, we have been still working on how can we improve returns further and you have digitisation, you have network sharing, those benefits still to come within our numbers, within the Spanish business.

So, I am pleased with our organic execution. Of course, we will always examine opportunities to enhance and strengthen our business. We have laid out three core principles for all of our assets. The first principle was: do we have local scale and then do we, in addition, leverage? Does that asset leverage our regional scale?

Spain: we are now number two on retail in the Spanish market. We have scale in Spain. It also leverages a lot of the European regional scale, going back to the question around our new operating model; it has very much driven benefits for Spain.

I would say, secondly, are we sitting with a credible and actionable plan to get return on capital above market WACC? You have seen the progress we have made. We think there are additional benefits still to come.

I would say the third is, then, are we the best custodians of the asset or can someone else derive more value? Of course we have always said we will look pragmatically at the situation, of any situation in any market, to ensure that we are doing the right things for our shareholders.

So, look, I do not eliminate anything. We evaluate, and we consider as to what is the best for our shareholders. However, importantly, understand the intrinsic value of the business in Spain and the value that is brought through the synergies that we have as part of the overall Group.

I would say then, secondly, just to your point about the UK and regulation, actually this week, alone, on Monday, I spent an hour and a half with the Director General of CERI, the policy setting of EC. Yesterday I was with GSMA and another eight CEOs through Europe talking to Commissioner Breton about, importantly, two things:

One is how do we improve returns in the telecom sector to encourage more private investment to match the public investment? So what are the things that would unleash investment? One of those was consolidation, at the Europe level, at the in-market level and at the infrastructure level, so, discussing the importance and differences of those three as one of the aspects. That was one of several things that we felt needed to be done.

The other important topic is where are the areas that the EC should be investing with the member states, the €750 billion recovery funds and the 20% going to digital, of which I have talked about the five areas before: things like rural coverage, OpenRAN, things like digitisation of SMEs and public sector.

So, we have been clear about the different areas. I think we are making really good progress on the allocation of funds from the recovery to the right target areas. I think the Commission is really trying to understand how these components; like consolidation, collaboration, more cooperation amongst the industry, could be a better model to ultimately encourage more private investment.

So I would say: some early days. I think that is more important than, per se, the UK decision. The UK was incrementally positive but it is more this conversation that we are having which is more shaping of "if you allow us to do the following things, this is what it is going to mean in terms of investment coming into the sector".

Akhil Dattani: That is super interesting. Thanks.

John Karidis (Numis): Thank you. Good morning to you. If I may, I wanted to ask a question about unlimited tariffs, simply because, in the States, every quarter Verizon and AT&T highlight the various net present value benefits of getting more of their customers onto unlimited tariffs. So, I have two parts to it. One, I am after some numbers. Two, I am after some words. On the numbers, I am trying to understand, in your top sort of four markets,

broadly, not Italy but the other three, what proportion of your contract customers are on unlimited now?

Then, secondly, what I am trying to figure out is whether the intensity of competition for customers on unlimited tariffs varies meaningfully versus the intensity of competition for customers on metre tariffs. I appreciate that is not the case in Spain but could it be the case in other markets?

Nick Read: Margherita, would you like to answer, and I will build?

Margherita Della Valle: Yes, I will start from the numbers, John. You asked what proportion of our customers are on unlimited. You know the overall number is around 10 million now and it is growing fast. In terms of offers, a slightly different position across our main markets. Unlimited is not a feature of the German market, as you probably are already aware of. Across the other markets, about a third of the eligible base of post-paid contracts have now taken up unlimited. This bar is from Spain, which is at the highest level of penetration of around 70% and then slightly lower in Italy and the UK.

However, I would say Italy is also going very strongly. For us, in Italy, it is a great more-for-more initiative that customers pick up and move onto. So, a good progression in terms of numbers quarter after quarter and also in terms of ARPU. We have not put it on the slide in this quarter because we wanted a short presentation. However, as you know, we do get ARPU uplifts whenever we move customers to unlimited.

From a competition perspective, I would say the key feature of unlimited, probably, is customers want it. It is a very simple proposition for customers, also, in terms of interactions with us. You do not have bill problems. You do not have all the sorts of questions that you can have with other offers, so it is a great simplification, which drives good net promoter score. Then we focus our activity in more-for-more in an unlimited environment, which is to move customers across tiers, from the lower end of the megabit per second to the upper end of unlimited.

Overall, we really see this as a key driver of our acceleration in performance. We were talking at the beginning of the call about the fact that our underlying performance has kept accelerating throughout the year. In mobile, unlimited has been a great driver for that.

Nick Read: Also, just one last build, which is I think unlimited opens up a bit of a gateway. We talk about that we want a multi-product relationship with our customers. Therefore, to have an anchor of unlimited is helpful for then building other products and services on top of that, in an ARPU-accretive way, to Margherita's point.

So it is strategic. It is just we would like to go as quickly as possible, depending on market conditions. However, Margherita has correctly said we are doing it an ARPU accretive way and then having the speed tiers allowing us to then take the customer on a journey of ARPU accretion over the years to come as well, as we roll out 5G, etc.

John Karidis: Thank you, both.

Andrew Lee (Goldman Sachs): Morning everyone. I had a question. Obviously you showed strong commerciality in the quarter, so I just wanted to ask about the efficiency improvements on those sales and specifically, the digital sales as a proportion of the total. I think it is 26% in the quarter. Is that as high as you would have hoped, given lockdowns?

How is the underlying trend going here? Is it better underlying than you would have expected, the same, worse? Any comments you could give on that would be really helpful. As a follow-up, just any comments to a similar question on churn and how you are seeing that going? Thank you.

Margherita Della Valle: Andrew, we do many underlying. I was trying to think how do we do the underlying on the digital share? I think it is quite difficult to split the impacts in a very analytical way, however, we are pleased with the progression. As you said, 26%: I think the most notable results are in the UK, where it is now almost 40%. With the iPhone 12 launch, where we have been very successful in the UK recently, we have seen 55% of those sales happening online, which is an absolute record.

Clearly, to your point, part of this is driven by the lockdown but if you look at the UK performance, we have sold 33% more iPhone 12s this year than when the latest iPhone launched a year ago, despite the lockdown. Therefore, it is not just gain of share online but it is also gain of absolute. We see this as continuing.

We mentioned that when COVID started, we immediately sat down with all the markets to ensure that we had plans in place to make sure that the benefits of COVID and the changes of customers' behaviour would become locked in our own plans. This is what we are progressing towards at the moment, clearly with benefits in terms of efficiency. I talked about the fact that we were seeing the opportunity now to see commissions in our P&L to stabilise and then start decreasing over time. This is a key element in driving this.

Andrew Lee: We have seen in retail a kind of fundamental shift in how consumers go and buy their products elsewhere in other sectors. Are you surprised it has not shifted more in telco?

Nick Read: Well, I mean, I would say retail has not been as aggressively impacted this second time through. I would say that people still need to interact with retail for different activities. I think if you look at what we are trying to do, we are trying to drive a standardised My Vodafone app, so capturing all of the important customer journeys from a service experience perspective. If we can capture everything you need and you can execute it through the app, that is great.

We also want to have click and collect into retail. So we are finding, in the UK as an example, 230 stores are available and open for click and collect. I think you are going to see us play more into that strategy moving forward: more click and collect, more Express, smaller formats with very specific purposes. We talked about, I want to say, 18 months, 12 months ago, about reformatting our retail estate and making it complementary to a digital-first execution.

So, rather than saying we are retail first and we got digital, we are saying no, no, no, we are digital first in all of that channels and then retail complements that execution. You are seeing us pivot towards that in our current execution. So, whether others are doing it, I cannot comment but that is definitely what we will be doing.

Margherita Della Valle: Andrew, you also asked about churn and I was just conscious, we did not give you an answer on that. You have seen the numbers. Any particular angle there?

Andrew Lee: It is just a similar question. Would you expect that to come down more or are you happy with the underlying trends? I realise I am being greedy with a follow-up question there.

Margherita Della Valle: No. Just to say, we are very happy with the trends. You may remember that, when we gave our guidance in May for this year, we said we are not betting on structural reduction of volumes or churn because of COVID. I think, in reality, we have seen that this has not really happened in most markets. So, the fact that we continue to see structural churn reduction, 1% down year-on-year and year-to-date, is positive.

Then, when you look at it by driver, you can really see why it is structural because unlimited has lower churn. Convergence products have lower churn. Vodafone Business: we were talking about the recovery in mobile. One of the drivers there is also lower churn. It is supported by a leading NPS, which has been, again, the highest in business for a long time. So I think we will see this trend continuing as well into next year.

Andrew Lee: Thanks.

Nick Read: I just wanted to say thank you very much for taking the time to join us. I am glad to see so many of you are fit and strong. Look, returning to growth is a good positive for us and now our focus as a management team is accelerating from this point onwards. We talked to many of the reasons why we believe that will happen and the actions we are taking. We look forward to updating you on our full year results in May. Take care and stay safe.

Margherita Della Valle: Bye.

[END OF TRANSCRIPT]