



Vodafone Group Plc Trading update

For the three months ended 30 June 2016

22 July 2016





Commercial review

Vittorio Colao
Group Chief Executive

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Q1 16/17 highlights

Continued progress

- Group service revenue €12.3bn, **+2.2%** (Q4 +1.8% underlying)
- **Europe: +0.3%**; stable trend as 'more-for-more' ARPU enhancement and fixed growth offsets lower roaming fees
- **AMAP: +7.7%**; sustained growth driven by data adoption and customer base expansion

Ongoing momentum in growth engines

- **Data:** 4G adoption driving usage; 4G customers up **>100%** to **53m**, data volumes **+63%**
- **Fixed:** **348,000** broadband net adds, +32%. **13.7m** base, of which **5.8m** on-net NGN
- **Enterprise:** service revenue **+2.6%**; VGE and fixed driving outperformance



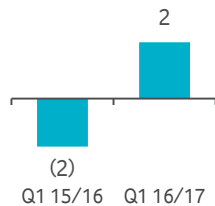
Continued progress

Customer experience¹

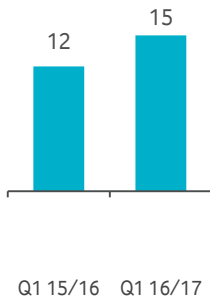
Consumer NPS

(points)

Gap to next best



Gap to third

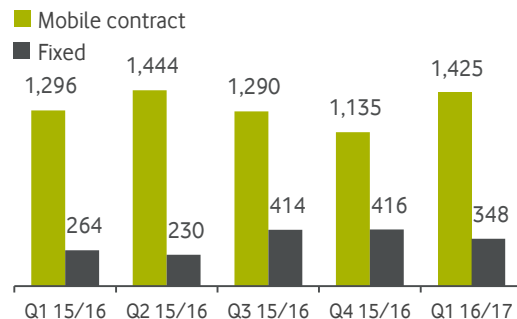


- Clearly outperforming peers
- Consumer NPS leading in **12/21** markets
- EU 4G coverage 89% (+14pp YoY)

KPIs

Customer net adds

(000s)

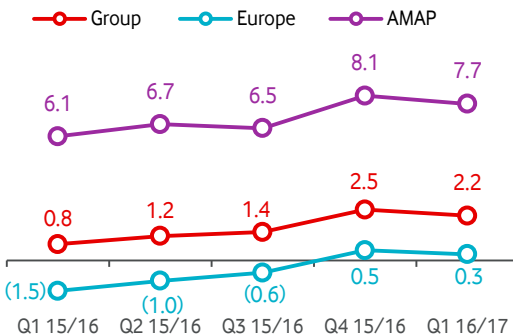


- Consumer contract churn 16.6%; 0.3pp improvement YoY
- Contract net adds; AMAP **+1.2m** (Q4 +0.9m); Europe **+0.2m** (Q4 +0.2m)
- Europe contract ARPU up QoQ

Financials

Service revenue growth

(%)



- Underlying momentum ex. Q4 leap year benefit
- More-for-more offers offsetting 0.4pp roaming regulation drag in Q1

1. Gap to next best based on 21 markets, gap to 3rd based on 20 markets and represents the simple average of the difference in Consumer NPS score between Vodafone and the 3rd ranking competitor. In markets where Vodafone is the 3rd ranking competitor the negative difference between Vodafone and the 2nd ranking competitor is used.

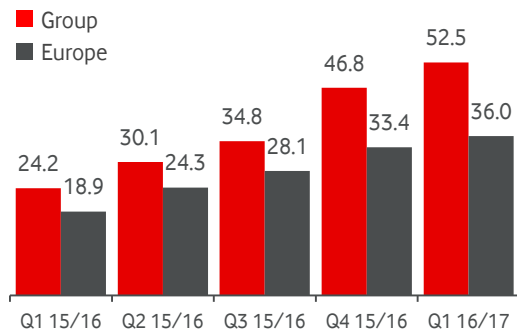


Growth engines: data

Increasing 4G penetration

4G customers

(m)

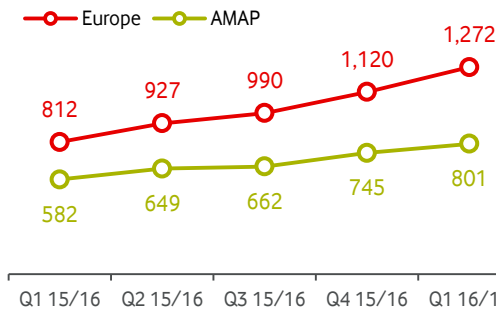


- Europe: **4G** used by **30%** of customers, representing 54% of data usage
- Emerging markets: **89m 3G/4G** data users (60% of total EM data users)

Growing data usage

Smartphone usage

Monthly average MB

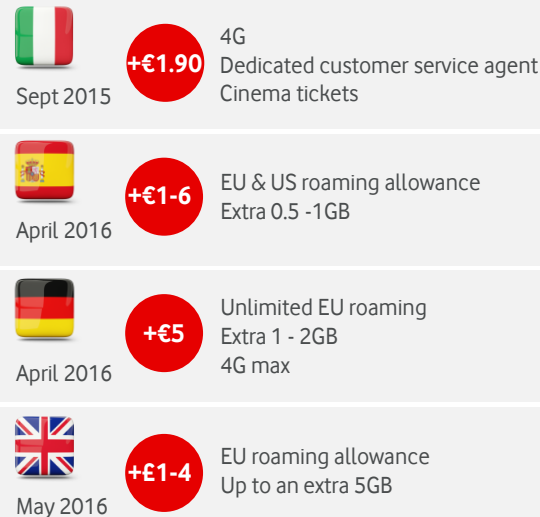


- Europe smartphone penetration still only **61%**, India 33%
- Europe data traffic +62%, AMAP +64%
- Strongest quarter of absolute data growth

Delivering monetisation

'More-for-more' actions, supporting ARPU

Examples



Growth engines: **enterprise**

Leading scale and service

28%

of Group service revenue



NPS leader in

14 out of **19**

enterprise markets



Largest 4G IoT footprint



IP-VPN global networks in

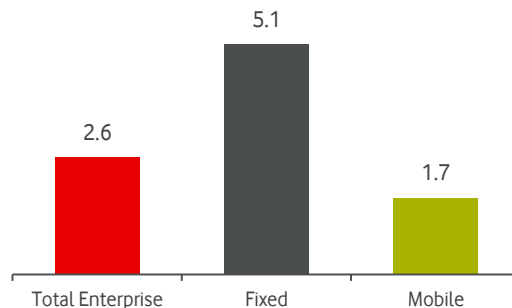
72 countries



Fixed outpacing mobile

Q1 service revenue growth

(%)

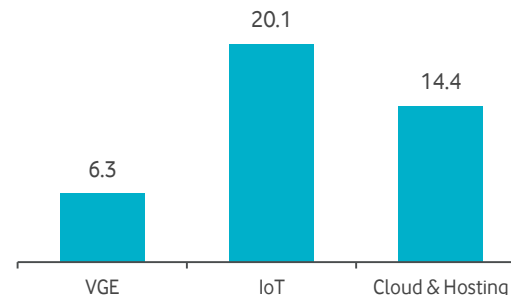


- Mobile: customers **+7%** to 39m, ARPU **-7%**
- Fixed: **28%** of enterprise revenue; gaining market share

Growing in strategic areas

Q1 service revenue growth

(%)



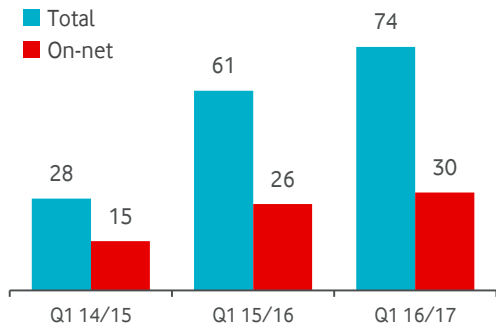
- Half of total pipeline fixed / converged
- IoT connections **41.3m**, **+39%**
- IP-VPN revenue **+7.7%**



Growth engines: fixed and convergence

Significant scale

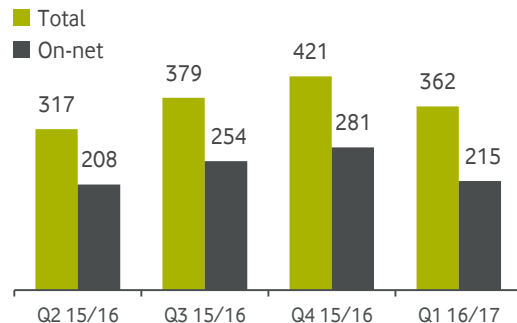
EU Homes reached with NGN broadband (m)



- **48%** NGN coverage in Europe, matching incumbents
- On-net coverage **30m**, pro-forma for Ziggo 36m

Ongoing momentum

EU NGN customer net adds (000s)



- **13.7m** broadband base, o/w **6.8m** NGN
- TV customers +100k to **9.6m**; new TV platform launched
- 3.3m converged customers

Ample growth opportunity

NGN on-net penetration

	On-net customers (m)	On-net households (m)	Penetration (%)
	3.1	13.7	23%
	2.0	8.9	23%
	0.2	3.9	5%
Others	0.5	3.4	
Europe	5.8	29.9	19%

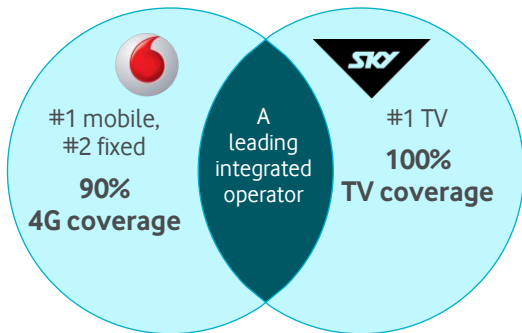
- **86%** of EU NGN base are higher margin on-net customers
- On-net RGU per unique subscriber **1.9x¹**
- EU NGN ARPU +20% vs. average

1. Based on Germany, Spain, Italy and Portugal



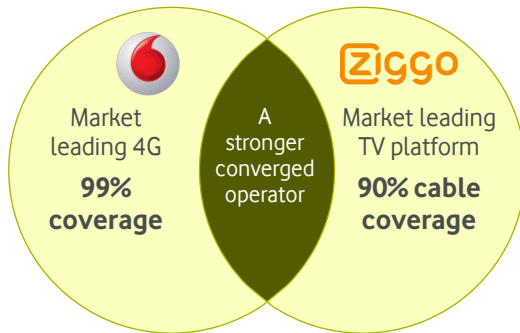
Growth engines: strengthening strategic capabilities

New Zealand: Merger with Sky



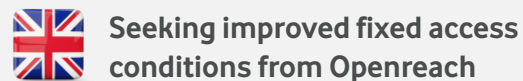
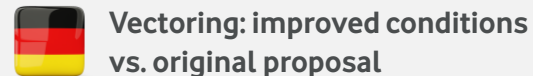
- 51% ownership; NZ\$1.25bn received
- NPV of synergies NZ\$850m
- Shareholder approval received; expected to close end 2016

NL: 50-50 JV with Ziggo



- NPV of synergies €3.5bn
- Good progress with integration planning
- Phase 1 decision 3 August; expected to close around end 2016

Enhancing wholesale agreements



Differentiation: Customer eXperience eXcellence



C Connectivity

A Always in control

R Reward loyalty

E Easy access

COVERAGE

Network 'guarantee'
14 markets

Real time monitoring
13 markets¹

Tailored offers
16 markets

24/7 live help
14 markets

KPIs

EU data sessions
>3Mbps **91%**

My Vodafone App
35% penetration²

Consumer contract
churn **16.6%**

First contact resolution
65%

1. My Vodafone App is available in 21 markets, with 13 markets offering real time monitoring
2. Monthly unique My Vodafone App visitors / monthly smartphone base



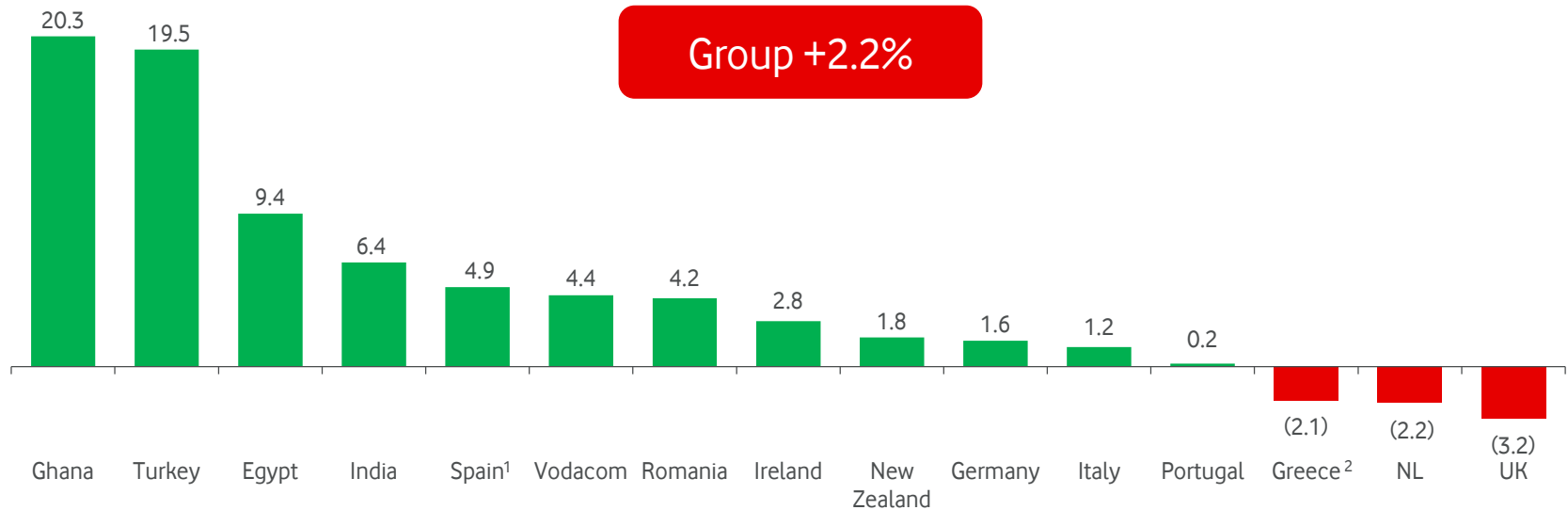


Operational review

Nick Read
Group Chief Financial Officer

Service revenue growth by markets

Q1 16/17 organic service revenue (%)



1. Excluding impact of handset financing
2. Stable underlying rate excluding the transfer of HOL carrier service revenue to Group



Germany

Customer experience

Consumer NPS

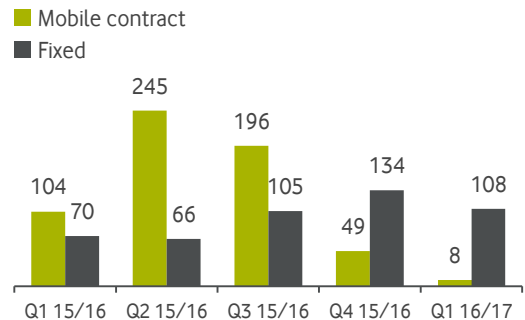
7pt
lead over 3rd ranked competitor



- 4G coverage **89%**, +11pp YoY, 8.4m customers
- CXX: **Gigabit** campaign
 - 400 Mbps in Cable
 - LTE max in Prepaid

KPIs

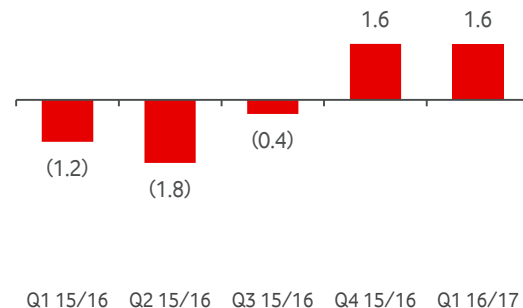
Customer net adds (000s)



- Competition in indirect channels; direct share of gross adds **42%**, +7pp YoY
- Value enhancement; 'M4M', service and handset fees rebalanced
- Fixed: cable additions **+92k**, DSL +16k¹

Financials

Service revenue growth (%)



- Sequential improvement in growth ex. roaming
- Mobile -0.3% (Q4 +0.3%); roaming regulation
- Fixed² **+4.7%** (Q4 +3.8%); KDG +9.4% (Q4 +9.3%)

1. After migrations

2. Aided by an accounting reclassification of fixed line revenue. Underlying fixed growth was +3.0% in Q1 and +2.4% in Q4; (KDG +6.4% in Q1 and +6.9% in Q4)



Italy

Customer experience

Consumer NPS

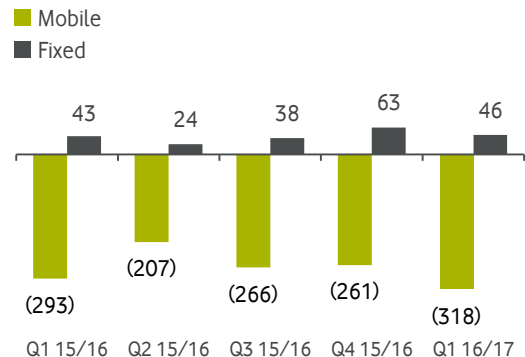
11pt
lead over 3rd ranked competitor



- Leading 4G coverage **96%**, 6.8m customers
- CXX: **'Satisfied or reimbursed'** network guarantee

KPIs

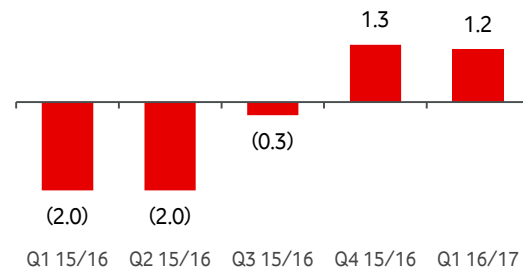
Customer net adds (000s)



- Mobile: decline in prepaid & enterprise, offset growth in consumer contract
- Fixed: **41%** of gross adds on fibre

Financials

Service revenue growth (%)

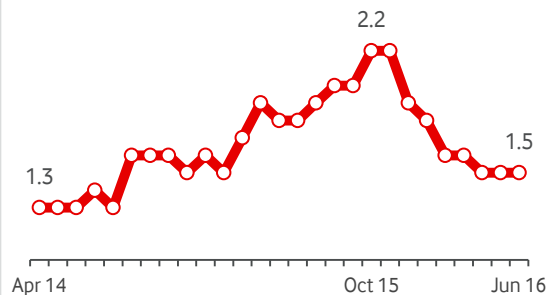


- Underlying improvement ex. Q4 leap year boost
- Mobile +1.4% (Q4 +1.6%); consumer prepaid ARPU **+11.6%**
- Fixed +0.1% (Q4 -0.2%); base growth and pricing pressure



Customer experience

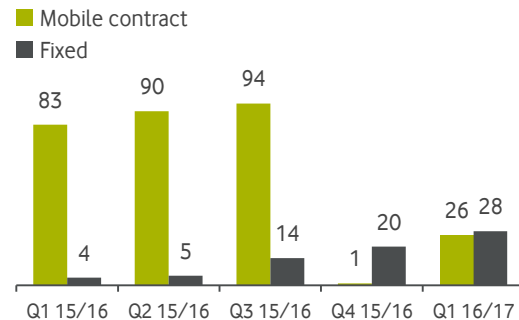
Customer monthly call volumes (m)



- Call volumes normalising
- Accelerating 4G coverage, **95%**, +19pp YoY¹. 7.5m 4G customers
- CXX: **Network guarantee** launched, and new roaming propositions

KPIs

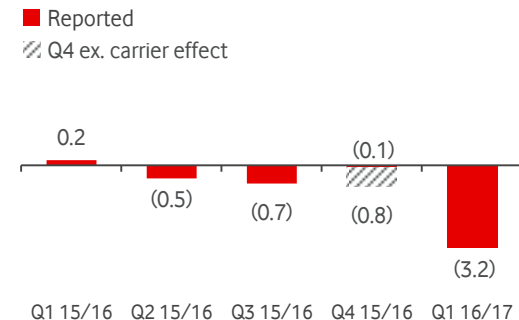
Customer net adds (000s)



- Improved consumer contract churn, **15.5%** (Q4 18.9%)
- Broadband base now 137k

Financials

Service revenue growth (%)



- Mobile -3.6% (Q4 -1.9%); IT challenges, lower OOB, roaming impact and MTR cuts
- Fixed -1.8% (Q4 +5.5%); strong carrier in Q4, lapping large contract win

1. Ofcom definition 95%, Vodafone definition 90%



Spain

Customer experience

Consumer NPS

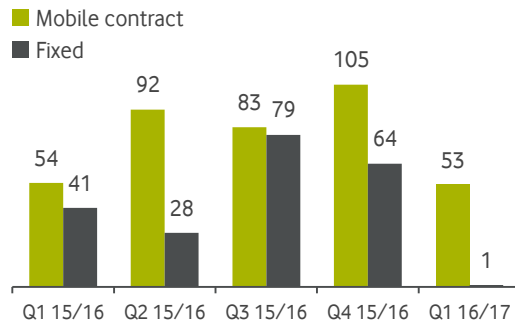
4pt
Lead over next best competitor



- **92%** 4G coverage. 5.9m 4G customers
- CXX: integrated '**roam like at home**' used by 60% of roamers

KPIs

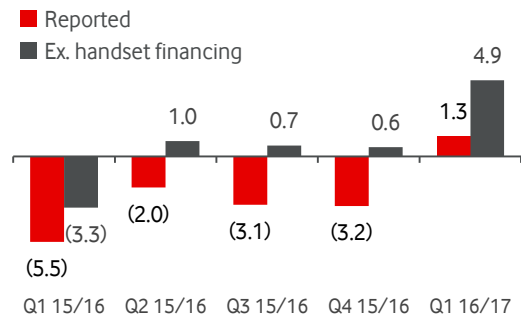
Customer net adds (000s)



- Higher churn in fixed and mobile post tariff changes; mobile normalised in June
- Convergence: Vodafone One **1.9m** users, TV **+52k** net adds to 1.1m

Financials

Service revenue growth (%)



- More-for-more propositions and base growth over the year
- SR ex. handset financing: consumer **+3.8%**, enterprise **+7.2%**



Vodacom

Customer experience

South Africa Consumer NPS

16pt

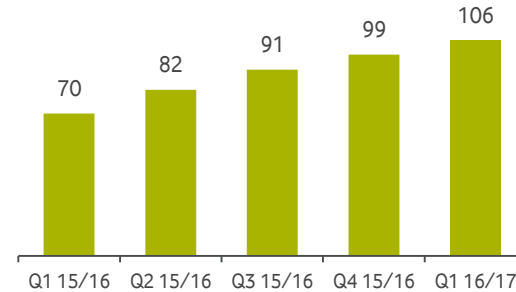
Lead over next best competitor



- Leading 3G coverage 99%, 4G **65%** and fastest download speeds
- CXX: 'Just for You' personalised offer driving loyalty

KPIs

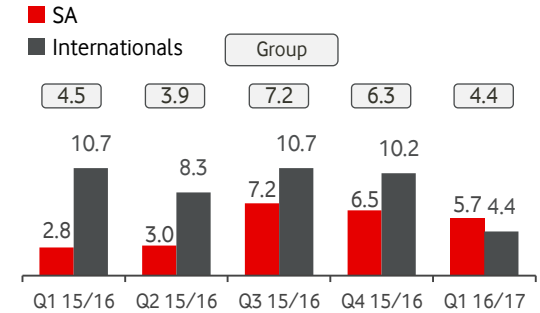
South Africa data bundles sold (000s)



- SA customer growth **+7.4%**; record low contract churn **5.3%**
- Data users +6%, bundles +52%
- 3.6m 4G customers

Financials

Vodacom service revenue growth (%)



- SA: data revenue +18% (Q4 +19%); contract ARPU **+5.3%**
- Intl: new customer registration processes, c.8pp Q1 SR impact



India

Customer experience

Customer NPS (points)

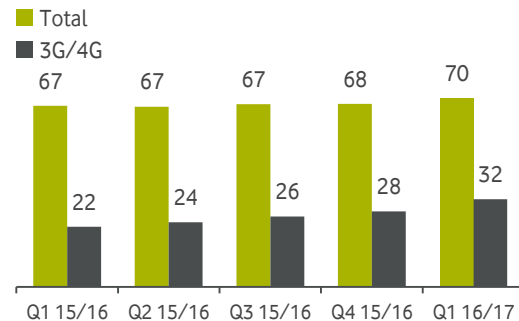
4pt (May 2016)
Lead over next best competitor



- 3G coverage 96%¹, 4G coverage **>60%** of data revenues by year end
- CXX: waiver for first **'bill shock'**
- Disciplined approach in upcoming spectrum auction

KPIs

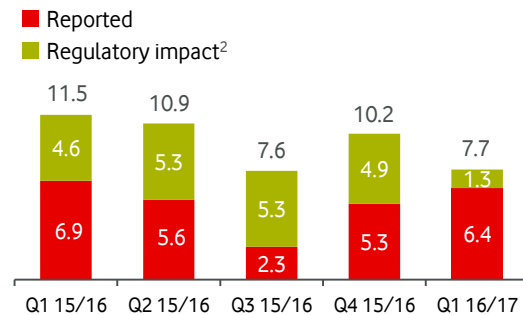
Data users (000s)



- Data usage transitioning to 3G/4G; **46%** of data users (PY 33%)
- High smartphone usage rising; 3G **875MB**, +11.5%

Financials

Service revenue growth (%)



- Underlying broadly stable ex Q4 leap and lower ICR revenues³
- Data browsing revenue **+22%** (Q4 +35%)
- Voice revenue **+2.2%** (Q4 +0%); easing price pressure, lower MoU

1. In targeted urban areas
2. Includes MTRs, service tax, roaming price caps and other items
3. ICR = Intra circle roaming



Summary

- Continued progress
- Building differentiation through CXX programme
- Good performance in Germany, Italy, Spain and South Africa; continued recovery in India, addressing UK challenges
- Data: more-for-more propositions supporting ARPU
- Fixed: gaining scale, capturing value through on-net growth

Outlook

- Growth expected to continue
- Full year 16/17 guidance confirmed



Q&A













Appendix





Dividend policy under euro reporting

	Current sterling based dividend	Going forward euro based dividend
Denomination		
Currency of payment	  	  
Exchange rate	10 business days before payment date	Average of the five business days in the week prior to payment
Policy	Intend to grow dividends per share in sterling	Intend to grow dividends per share in euros

Baseline dividend per share

FY 15/16

 = 14.48

 = 11.45

1. The base line dividend in Euros and US\$ is based on FY 15/16 year end exchange rates of £: €1.2647



Customer experience and commercial KPIs

Europe

	Q1 14/15	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17
4G customers (m)	18.9	24.3	28.1	33.4	36.0
Contract churn (%)	15.0%	15.7%	16.7%	16.1%	15.3%
4G % outdoor population coverage	75%	80%	84%	87%	89%
% of data sessions >3Mbps	89%	88%	90%	91%	91%
% of dropped calls	0.58%	0.60%	0.50%	0.46%	0.47%
Call setup success	99.8%	99.8%	99.8%	99.9%	99.9%

AMAP

	Q1 14/15	Q2 15/16	Q3 15/16	Q4 15/16	Q1 16/17
4G customers (m)	5.3	5.8	6.7	13.4	16.5
Contract churn (%)	19.4%	19.4%	20.9%	20.5%	18.2%
3G/4G outdoor coverage (excluding India)	82%	83%	83%	85%	85%
India 3G outdoor coverage (targeted urban areas)	91%	94%	94%	95%	96%
% of dropped calls	0.95%	0.99%	0.93%	0.86%	0.70%
Call setup success	99.3%	99.4%	99.4%	99.3%	99.5%



Currency sensitivity

Currency	FY 15/16 closing net debt (€bn)
EUR	23.1
ZAR	1.4
GBP	(4.5)
INR	9.4
Other	7.5
Total	36.9

Actual foreign exchange rates may vary from the foreign exchange rate assumptions used:

- A 1% change in the rupee to euro exchange rate would impact net debt by approximately €93 million
- A 1% change in the South African rand to euro exchange rate would impact net debt by approximately €15 million
- A 1% change in the pounds sterling to euro exchange rate would impact net debt by approximately €80 million

Currency	FY 15/16 closing EBITDA (€bn)
EUR	8.1
ZAR	1.7
GBP	1.9
INR	1.8
Other	2.3
Total	15.8

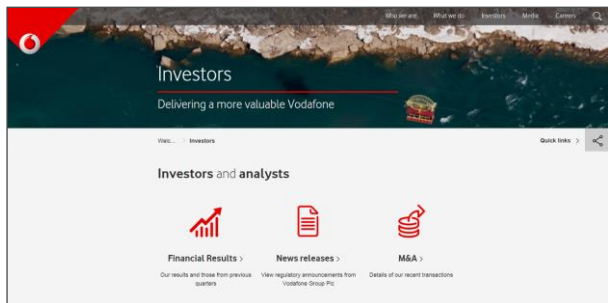
Actual foreign exchange rates may vary from the foreign exchange rate assumptions used:

- A 1% change in the rupee to euro exchange rate would impact EBITDA by approximately €20 million
- A 1% change in the South African rand to euro exchange rate would impact EBITDA by approximately €15 million
- A 1% change in the pounds sterling to euro exchange rate would impact EBITDA by approximately €15 million



More information

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www.vodafone.com/investor

2016 upcoming dates

AGM
29 July

Final dividend paid
3 August

Half year results
15 November

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In particular, such forward-looking statements include, but are not limited to: statements with respect to: expectations regarding the Group’s financial condition or results of operations; expectations for the Group’s future performance generally; expectations regarding the Group’s operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; and expectations regarding, EBITDA, free cash flow, capital expenditure, and foreign exchange movements.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets” (including in their negative form). By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of

new and existing customers; the Group’s ability to expand its spectrum position or renew or obtain necessary licences; the Group’s ability to execute its strategy; changes in foreign exchange rates and interest rates; the Group’s ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains or unfavourable developments in the availability or prices of commodities and raw materials; developments in the Group’s financial condition and other factors that the Board takes into account when determining levels of dividends; the Group’s ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under the headings “Forward-looking statements” and “Risk management” in the Group’s Annual Report for the year ended 31 March 2016. The Annual Report can be found on the Group’s website (vodafone.com/investor). All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in or made in connection with this presentation will be realised. Subject to compliance with applicable law and regulations, Vodafone does not intend to update these forward-looking statements and does not undertake any obligation to do so.

