



## **Record results for Vodafone in Italy (2002/2003)**

**EBITDA + 22% (to 3,363 million euros), equal to a margin of 49%.**

**Data revenues up 43%, Customers 19,412,000**

*In May Omnitel has become Vodafone*

The Vodafone Group's annual results for the period April 1, 2002 to March 31, 2003 were announced today. Vodafone Italy's results, including revenues and EBITDA, as published in this note, have been prepared in compliance with UK accounting principles. They were determined by converting them into euros and recalculating the proportionate amounts announced by the Parent Company in order to bring them up to 100%.

Vodafone Omnitel's results for year ended March 31, 2003 confirm the Company's excellent performance, with improvements across all key economic and financial indicators.

During the 2002/2003 financial year Vodafone Omnitel earned total revenues of 6,802 million euros and revenues from services posting a rise of 11%, mainly due to an expanded customer base and improved ARPU. Revenues from the sale of handsets were up 30%.

Voice revenues rose thanks to increased call volumes and higher margins on top-up cards, despite Vodafone Omnitel's voluntary reduction of fixed to mobile prices. SMS and data revenues rose 43%, representing 11.2% of revenues from services (compared with the 9% of March 31, 2002). This result is due to the success of text messages, which grew by 41%, and data services, which increased by 128% (WAP, GPRS and WEB).

These excellent results have been achieved thanks to significant commercial efforts and innovation, including the introduction of new voice and SMS information and entertainment services. In October 2002 Vodafone Omnitel took part in the Europe-wide launch of Vodafone Live! At the end of March 2003 a total of 227,000 Vodafone Live! phones had been activated, whilst the number of MMS capable devices amounted to 367,000.

Further evidence of the Company's positive performance is provided by EBITDA, which rose 22% to 3,363 million euros. The resulting EBITDA margin rose from 46% to 49%. Such a result was obtained thanks to the increase in revenues and ongoing cost controls. The average customer acquisition cost stood at 25 euros, compared with the 35 euros of the previous financial year.

Vodafone Omnitel now has 19,412,000 customers (up 10%), confirming its position as number two in the Italian mobile market with a market share of 36%. 92% of the customer base is represented by prepaid customers. The total churn rate (the rate at which subscribers abandon an operator) during the period declined from 19% to 17%, thanks to the success of the Company's loyalty programme, Omni One, which now has 8,600,000 members signed up. The initiative rewards higher value customers whether subscribers or prepaid.

ARPU rose from 345 to 347 euros. This was primarily due to growth in subscriber ARPU, which rose from 769 to 818 euros, whilst prepaid ARPU was up from 297 to 298 euros. Voice ARPU slightly decreased, whilst data ARPU rose 30%.

The number of staff employed by Vodafone Omnitel throughout the Company continued to rise to stand at 10,096.

Vodafone Omnitel has completed the first phase of its 3G rollout and has begun the test phase. In addition, the Company will shortly start public trials of WLAN services.

Following Vodafone Omnitel's voluntary reduction of fixed to mobile prices in August 2002, the Communications Authority has decided to cut the termination charge to 14.95 cents (down 12 % ) from June 2003.

The Ministry of Communications has extended the duration of the 2G and 3G licence from fifteen to twenty years, and following the break-up of Blu the Authority has approved the allocation of additional frequencies for 2G among the remaining operators, including Vodafone Omnitel.

On May 12, 2003 a General Meeting of the shareholders of Vodafone Omnitel approved the Company's rebranding as Vodafone.