



VOD (NYSE)
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World's Largest Telco

- 50 Million subscribers on five continents
- Presence in every major market in globe
 - Alliance strategy fuels growth in Europe, North America
 - Innovation gives VOD presence in Japan, with J- Series
 - Partners include Airtouch, Verizon, and Mannesmann
 - VOD Networks tailored to client specifications
- HUGE potential information gateways
 - Many available avenues to build off network
 - Licenses and regulatory hurdles now cleared



The Future Is Now

- Thanks to strategic alliances and development ventures, VOD already has developed the next generation of wireless services.
- The following slides show the VOD future, and how VOD already has that technology in place.

“Our vision is to be the leading wireless telecommunications and information provider, bringing more services and more value to more customers than any other.”

- VOD Annual Report



Technology Innovator



All communication will be done through mobile devices



Voice Traffic



- J-Sky Series in Japan next generation of mobile telephony
 - Reliable Wireless Voice Network by Vodafone
 - Over 150 Content Providers give data to subscribers
 - Proven convergence of handheld PDAs and mobile telephones

- *Includes person-to-person communication*
- *Video Conferencing capabilities now available*
- *Price Level for every Japanese citizen*



Data



- Mobile device will handle what current handhels cannot
- Reliable, high bandwidth network allows Australians to live the future



Mobile Communication Devices will be able to handle short videos and video conferencing such as this...



Household Appliances



- All Appliances will be connected to internal wireless network, which the user will control via the mobile device
- Nokia, Ericsson, Psion, and Motorola already working on new internal standards
- Vodafone's reliable network currently converges Palm features and Nokia features in Australia and Sweden



Business Communications

- Vodafone Internet Services via Vodafone WAP Gateway allow for unlimited reliable communication.



All corporate and business functions met through mobile devices.

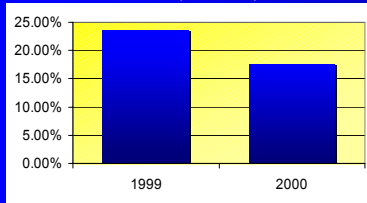
- Subscribers in the UK can stay in touch with clients, receive notices and emails from the office, and organize their client lists while on the move – all through mobile phone.
- Doctors in Australia are able to share medical histories, procedure information, capacity levels, and other important information via the Vodafone network.



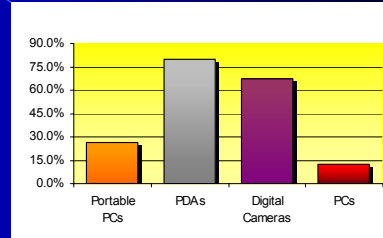
Mobile Commerce

Growth of PC Shipments in US

(Source: CSFB)



Growth of Hardware Sales



- **Personal Computers – Maturing Market**
 - PC Hardware and Peripherals grew **12.7%** worldwide
 - PC Market Sales slowing, as more revenue goes toward handheld devices
 - PDA Sales up 80 % this year

Island in Sweden is testing ground, as Vodafone WAP wireless network has replaced wireline network completely. All business and household functions can be done through this network.



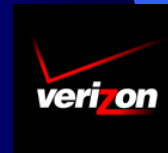
Other Projects

- Wireless technology allows Sweden's hearing impaired to communicate via large teletype screens
- Uninterrupted service in Berlin's subways via transmitters inside stations and trains, so important calls are never missed
- Netherlands' SAM Foundation uses Vodafone technology to capture and relay dolphin sounds, which are thought to help stimulate the human mind and might help against Down's Syndrome



Who has VOD aligned with?

- Content providers to offer applications via the Vodafone networks
- Phone manufacturers to ensure compliance with Vodafone standards
- Existing leaders in markets where Vodafone hasn't yet entered.

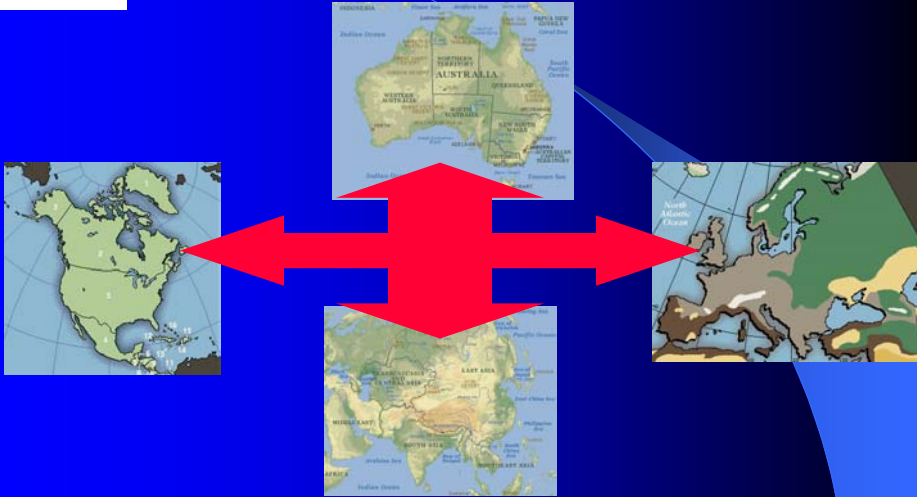


So what does this all mean?

- Through Alliances, Partnerships, and Innovative Ventures, Vodafone has already created networks for the future of wireless services.
- These services are ready to be pushed onto the global stage.
- However, the bandwidth to handle this much data and traffic is not available yet.
- Vodafone also needs to secure licenses to get the necessary bandwidth to provide these services.



Cross-Border, Cross-Ocean



Vodafone networks are developed so that one device works anywhere in the world

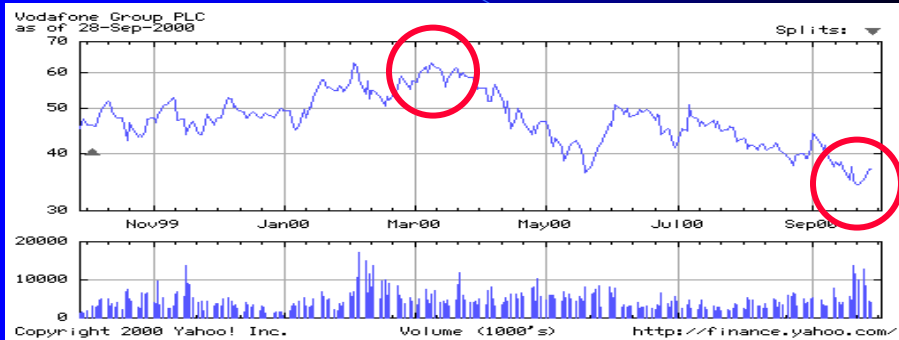


Costly Licenses

- Vodafone needs a market's Universal Mobile Telecommunications Standard (UMTS) license to be able to provide their services in that region.
- These licenses have been sold in Europe via auction. Because they are so expensive, and usually stipulate that the winners buy more than one, companies will enter group bids.
- These are expensive licenses: ABN Amro forecasts that Europe's licenses will cost telecom companies 160 Billion Euros in all.



Stock Price Depression



- Vodafone, like other telecom companies, issued heavy debt and floated a lot of shares around the world to gain the funds needed for these auctions.
- This is why the stock price has depressed badly recently.

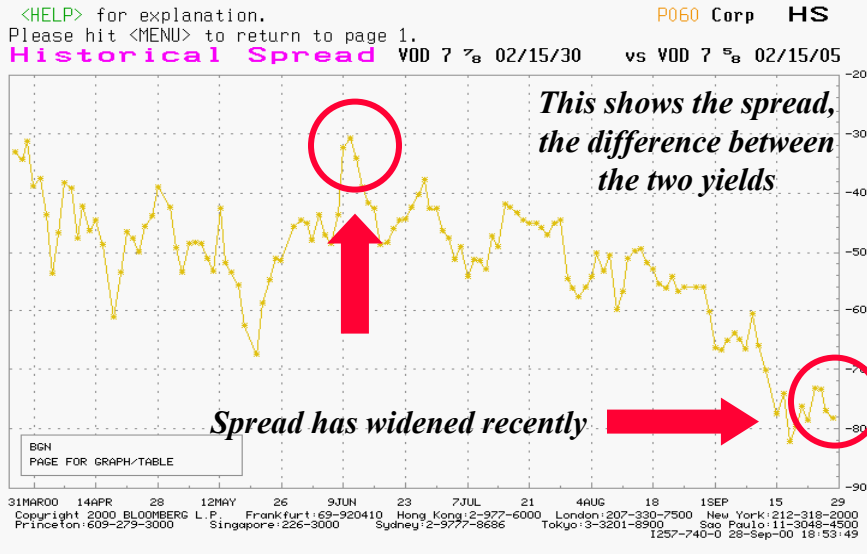


Debt versus Equity

- If the stock has depressed because of the added debt, shouldn't we look at the bond's performance to find value of the stock ?



VOD Short vs VOD Long



What does that Bond mean?

- The bond spread is the difference between the yields on the two bonds. If it is widening, that means more investors are selling the 30 – Yr bond in favor of the 5 – Yr bond.
- This means that investors think VOD will be able to repay their long – term debt, therefore making the long bond worth less.
- If bond investors think VOD can repay their long-term debt, why don't equity investors?

Regis, I'd like to use a lifeline...





Valuation via Bonds

- Bond investors have given Vodafone a 62.5% vote of confidence since June 2000
- Equity investors will give VOD a vote of confidence as well
- How much of a vote of confidence depends on what ratio of confidence do equity investors have versus bond investors

<i>Ratio</i>	<i>Stock Price</i>
Equity 1:1	60.125
Equity 2:1	48.5625
Equity 3:1	44.63125
Equity 4:1	42.78125
Equity 5:1	41.625



Why the vote of confidence

- Telecom license auctions are ending, as the remaining licenses will be awarded via beauty pageant-style decisions.
- If Vodafone couldn't repay its debt, why would the company outbid British Airways to be the main sponsor of Manchester United?



Which growth rate to expect?

- From June to now, VOD bond holders gave the bond a 62.5% confidence factor by selling the bond.
- If Equity investors give VOD stock a vote of confidence, they will buy the stock.
- Expect at least a 12 % growth by the end of the calendar year.



Recommendation

- Buy the stock now. It is near its 52-week low. Equity investors will give it the vote of confidence that Bond investors already have.
- Conservative target: \$41.625 in December
- Extraordinary target: \$60.125 in December