



Customers and distribution

Customers are at the core of everything we do. Through our products and services we endeavour to address all our customers' communications needs.

International customer base with diverse needs

Vodafone has a truly international customer base with 341.1 million proportionate mobile customers across the world. We continually seek to develop new and innovative propositions that deliver relevance and value to all our customers and build a long lasting relationship meeting their expectations and needs. As customers move between work and home environments and look for integrated solutions, we have a suite of propositions which often bundle together voice, messaging, data and increasingly fixed line services to meet their needs.

Enterprise

Vodafone also caters to all business segments ranging from small-office-home-office ('SoHo') and small-medium enterprises ('SMEs') to corporates and multinational corporations ('MNCs'). While our core mobile voice and data business continues to grow, our enterprise customers are increasingly asking for combined fixed and mobile solutions for their voice and data needs as well as integrated services and productivity tools.

Brand

We have continued to build brand value by delivering a superior, consistent and differentiated customer experience. During the 2010 financial year we evolved our brand positioning to "power to you" emphasising our role of empowering customers to be able to live their lives to the full. It is a further expression of the importance of the customer being central to everything we do and is reinforced in communications substantiating how products and services impact and empower our customers.

We regularly conduct brand health tracking which is designed to measure the performance of the brand in each country and generate insights to manage the brand as effectively as possible. External benchmark studies have shown that Vodafone brand equity has maintained a top ten position in a number of rankings of brands across all industries including the seventh most valuable brand in the world as measured by BrandFinance.



> Global sponsorship

Our title sponsorship of the Vodafone McLaren Mercedes F1 team delivered strong coverage across an exciting and hard contested 2009 championship. In addition to press and news coverage we integrated the sponsorship into a wide variety of business activities including communications, events, content, and acquisition and retention promotions to maximise the impact and return on its investment. Significant sponsorship and support is also undertaken at a local country level where it builds awareness and brand value by resonating with our customers and their interests.

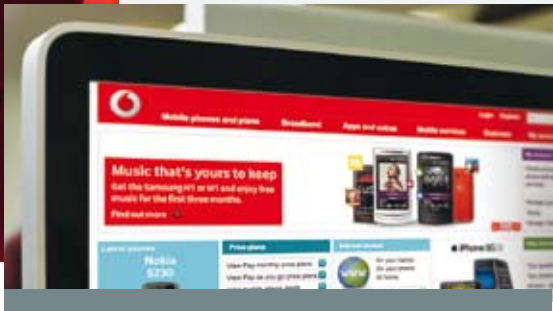
Customer segmentation

Consumer

Consumer customers are typically classified as prepaid or contract customers. Prepaid customers pay in advance and are generally not bound to minimum contractual commitments offering great flexibility and cost control. Contract customers usually sign up for a predetermined length of time and are invoiced for services, typically on a monthly basis. Increasingly we offer SIM-only tariffs allowing customers to benefit from our network whilst keeping their existing handset. Around a third of our proportionate customer base including consumer and enterprise customers are contract customers and the remainder are prepaid.



Vodafone branded franchise stores
7,600
 (2009: 5,300; 2008: 5,800)



Directly owned and managed stores
2,100
 (2009: 1,800; 2008: 1,150)



Distribution

Our customers interact with us in a variety of ways including via retail locations, by telephone or increasingly online. Through our subsidiaries, we directly own and manage approximately 2,100 stores selling services to customers and providing customer support. To be most accessible to our customers we constantly review our store footprint and capabilities. We also have around 7,600 Vodafone branded stores in our controlled markets which sell our products and services exclusively through franchise and exclusive dealer arrangements. Additionally, in most operating companies, sales forces are in place to sell directly to business customers. The internet is increasingly a key channel to promote and sell our products and services and to provide customers with an easy, user friendly and accessible way to manage their services and access support, whilst reducing costs for the Group.

The extent of indirect distribution varies between markets but may include using third party service providers, independent dealers, distributors and retailers. We host mobile virtual network operators ('MVNOs') in a number of markets, selling access to our network at a wholesale level.



> Customer satisfaction

Historically we have measured customer satisfaction using our customer delight index, a proprietary diagnostic system which tracks customer satisfaction across all points of interaction with Vodafone and identifies the drivers of customer delight and their relative impact.

At the end of the 2010 financial year we migrated to the net promoter score ('NPS') customer measurement system to monitor and drive customer satisfaction at both an operational and country level in many of our markets. The NPS diagnostic system replaces the customer delight index and uses a scale of how likely customers would be to recommend us to friends and family.

Customer delight index
73.1
 (2009: 72.9; 2008: 73.1)

Voice revenue

£28.0bn

(2009: £26.9bn; 2008: £24.2bn)



> Handsets

Products and services

We offer a wide range of products and services including voice, messaging, data and fixed line solutions and devices to assist customers in meeting their total communications needs.

Handsets

The core functionality and use of handsets continues to be voice and text messaging services. Many different tariffs and propositions are available, targeted at different customer segments, and include a range of unlimited usage offers which have been particularly appealing to customers.

With sophisticated handsets becoming readily available, customers are increasingly using their mobile phones to complement their lives in new and innovative ways. Data usage continues to grow rapidly fuelled by large numbers of intuitive internet enabled devices ('smartphones'), many with touch screens such as the iPhone and BlackBerry® Storm™, and transparent pricing available through our "internet on your mobile" unlimited browsing tariff. Instant messaging is available with Yahoo! and MSN and we offer integrated services from leading internet brand partners including YouTube, eBay, Google™ and Google Maps™.

Our partnership agreements with leading companies, such as RIM, Samsung and Google, have enabled us to be first to market with cutting-edge devices such as the BlackBerry Storm, Samsung H1 and Samsung M1 (our two tailor-made handsets that support our Vodafone 360 proposition) and Google Nexus One.

Available in 31 markets including partner markets, Vodafone branded devices are designed to meet a range of customer needs and preferences – from low cost phones offering simple voice and text, through fashion and design influenced, to competitively priced mobile internet devices with cutting-edge smartphone functionality including touch screen and mobile internet capability. During the 2010 financial year Vodafone launched its most affordable handset to date, the Vodafone 150, which retails for less than US\$15 unsubsidised, giving millions of people in emerging markets the opportunity to share in the benefits of mobile technology for the first time.

Our wide range of handsets covers all our customer segments and price points and is available in a variety of designs.

- 66 new models released in the 2010 financial year.
- 23 exclusive handsets launched.

Smartphones

- A handset offering advanced capabilities including access to email and the internet.
- 24% of handset sales in Europe.
- All leading brands represented including iPhone in 14 countries.
- Launched two tailor-made Vodafone 360 handsets: Samsung H1 and Samsung M1.

Vodafone branded handsets

- Enabling millions of people in emerging markets to share the benefits of mobile technology.
- Prices start from less than US\$15.
- 16 new models released under our own brand.
- Low cost combined with high-end features, such as touch screen and mobile internet capability.

Vodafone branded handsets shipped

5.4m

(2009: 10.7m; 2008: 10.0m)



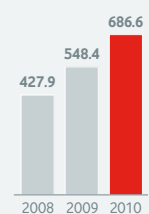
Product focus: Vodafone branded handsets
Vodafone 845 (left) Android smartphone
Vodafone 150 (right) ultra low-cost handset.

> Voice & messaging services

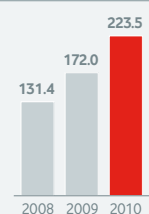
We provide value focused pricing through unlimited bundles of voice and text services.

- Voice services incorporate revenue for national, international and roaming calls.
- SMS services include text messages as well as multiple media, such as pictures, music, sound, video and text.

Voice usage (billions of minutes)



SMS usage (billions of messages)



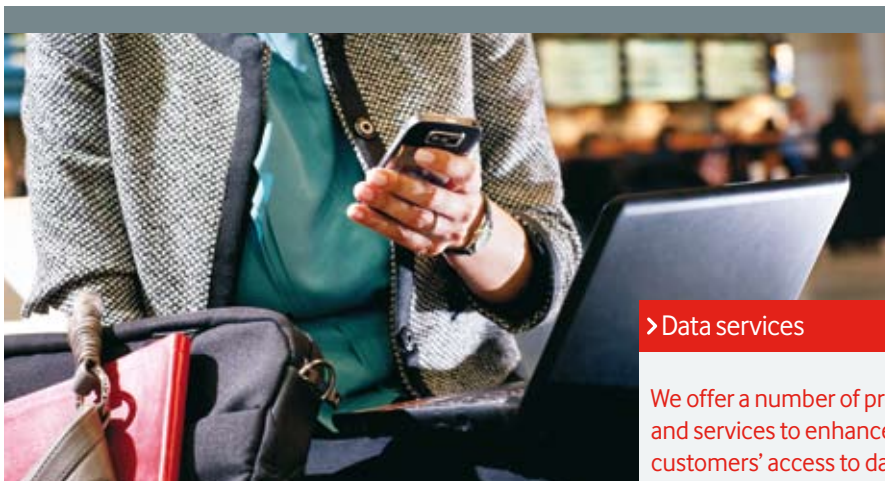
Messaging revenue

£4.8bn

(2009: £4.5bn; 2008: £4.0bn)



Apple iPhone 3GS



Total communications services

We have continued to diversify and expand the services we provide to assist customers in meeting their total communications needs. These include data services, such as mobile internet and mobile broadband and fixed services incorporating fixed line voice and fixed broadband.

Data

We provide a range of data products including PC connectivity, internet services, applications and roaming.

PC connectivity services, available through Vodafone Mobile Broadband devices and certain handsets, provide mobile internet access for laptop, netbook and PC users. Vodafone Mobile Broadband provides simple and secure access to the internet and to business customers' systems. We have been at the forefront of deployment of HSPA+ networks and development of devices (such as USB modems) to support these speeds. We were the first to deploy high speed HSPA services (peak rate of 14.4 Mbps) in selected markets, such as the UK, and HSPA+ (peak rate of 21.6 Mbps and 28.8 Mbps) in selected markets such as Ireland, Portugal and Greece. USB sticks with exclusive designs and simple "plug and play" software continue to be very popular. A wide variety of laptop models are available with built in 3G broadband and Vodafone SIM cards.

Internet services enable users to access the internet on their mobile handset. Applications include email services with real time handheld access to email, calendar, address book and other applications. Data roaming allows customers to use our services on a mobile network when travelling abroad.

Fixed

Our fixed service incorporates fixed broadband, offered mainly through DSL technology, and fixed line voice, which allows consumer and enterprise customers to make fixed line voice calls using Vodafone as their total communications provider.

The Vodafone DSL Router combines mobile and fixed broadband services. This means customers can connect immediately after purchase via the USB broadband modem and then later with fixed broadband when this has been provisioned. At this stage the USB modem can continue to be used with a laptop for usage outside of the home. During the year we have also launched Vodafone Sure Signal in the UK which, used in conjunction with home fixed broadband, provides customers with excellent indoor 3G coverage.



Product focus: Vodafone Mobile Broadband USB modem
Latest high-speed Vodafone USB modem, capable of supporting peak download speeds up to 28.8 Mbps.

> Data services

We offer a number of products and services to enhance our customers' access to data services including access to the internet, email, music, games and television.

Organic data revenue growth

19.3%
(2009: 25.9%; 2008: 39.0%)

Data revenue

- Data, a fast growing revenue stream, now accounts for 10% of service revenue.
- 50m total data users, up over 100%, including 31m mobile internet users.
- Integrated services from leading internet partners including YouTube, Google and Google Maps.

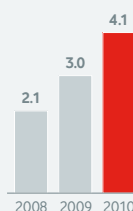
Data devices

- Four netbook models with built-in 3G broadband launched.
- Peak download speeds of up to 28.8 Mbps.
- 13m smartphone users in Europe, representing 11% of customers.
- First to launch a 21 Mbps USB stick in several markets in Europe.

PC connectivity users

8.7m
(2009: 5.7m; 2008: 2.7m)

Data revenue (€bn)



Data traffic in Europe (petabytes)



> Fixed services

We offer fixed voice and fixed broadband solutions to our customers' total communications needs.

- Fixed line services available in 13 countries in addition to Gateway.
- 5.6m fixed broadband customers, up 1m.
- Vodafone DSL Router launched in six countries.

Fixed line revenue (€bn)



Fixed broadband customers

5.6m
(2009: 4.6m; 2008: 3.6m)



Product focus: Vodafone DSL Router
The Vodafone DSL Router features instant activation and a back-up connection via the separate USB dongle.



Vodafone 360 is a new internet service for mobile, PC and Mac. It brings phone, email, chat and social network contacts together in one place. Vodafone 360 provides customers with access to games, music and thousands of applications as well as browsing the internet.

Value added services

We have continued to diversify and expand the services we provide to our customers to meet their total communications needs.

Consumer

During the 2010 financial year we launched an exciting new suite of services called Vodafone 360 particularly catering to the needs of customers wanting to be always connected both on the move and at home. This allows customers to keep all their contacts and content in one place and access the latest information available on the internet. Vodafone 360 integrates the latest updates from popular social networking sites, such as Facebook, so customers can stay instantly up to date with their friends' latest news.

The Vodafone 360 store gives customers the choice to download from over 8,000 applications ranging from checking the weather and news to the latest music and games. All the information, social contacts and content can also be seamlessly accessed online from PCs and Macs, in addition to handsets, allowing customers the freedom to connect via whichever channel is most convenient to them. Vodafone was the first operator to offer DRM-free bundles and now has the largest number of paid digital music subscriptions in Europe, with over 500,000 customers.

Applications

Our range of total communications solutions provides customers with integrated office and mobile voice and data services, such as Vodafone Always Best Connected, an internet connection management software tool which manages connections across all network connection types including Mobile Broadband, Wi-Fi and LAN. This service allows customers to stay connected to the internet on the best available connection, simply and securely. The software provides a simple user experience for managing different connections in the office, at home, in a hotspot or on the move by automatically managing the switching between available connection types.



Service focus: DRM-free deals with all four major record labels in 2009
More than 500,000 customers signed up for music subscription services provided in partnership with all four major labels (EMI, Sony, Universal and Warner), making us the largest provider of paid digital music subscription services in Europe.

> Applications

We provide a wide range of additional services to customers.

- **Vodafone Email Plus, Windows Mobile® Email from Vodafone and BlackBerry from Vodafone provide enterprise customers with real time handheld access to email, calendar, address book and other applications.**
- **Vodafone PC Backup and Restore enables users to remotely store data securely and automatically via their internet connection.**
- **Full track music down loads with more than 2m songs available.**

4.5m

Mobile email users, up 29%

PC Backup and Restore



Enables PC users to store data securely and automatically, allowing access to files and documents at any time from any computer with an internet connection, whether fixed or mobile.

Vodafone Money Transfer



The Vodafone Money Transfer system is available in three countries with 13 million customers moving US\$3.6 billion during the year. We expect to roll-out the service to further markets later this year.

Vodafone Money Transfer customers (millions)

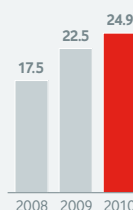


> Roaming services

Our roaming services allow Vodafone customers to make calls and use data services on other operators' mobile networks whilst travelling abroad.

- **Over the last three years we have reduced the cost of voice roaming by 38% in Europe.**
- **Vodafone Passport enables customers to "take their home tariff abroad" offering greater price transparency and certainty.**

Vodafone Passport customers (millions)





Mobile broadband solutions

7 Causes is a marketing consultancy with a difference. Based in the Netherlands, they've changed the way they work with clients. Out went expensive office space and long commutes. Instead they bought a bus and turned it into a mobile office complete with Vodafone mobile broadband. So now instead of wasting time travelling, they can work on the move and see more of their clients and their own families.

Enterprise

We continue to add value to our enterprise customers, building on our core mobile business and leading the way with a range of services where applications and data are secured and hosted in the Vodafone network or "cloud". In addition, we are providing mobile internet bundles for smartphones, mobile email (BlackBerry, Microsoft ActiveSync and Vodafone Email Plus) and mobile broadband via a range of innovative devices, such as the Vodafone Mobile Wi-Fi, a portable mobile broadband powered Wi-Fi hub, and class leading USB dongles, embedded laptops and netbooks.

As we embrace the convergence of mobile and fixed networks our customers are seeing the value it brings to their business through a range of convergent services. Building on our success in Italy and Spain with our cloud-based office phone solution, Vodafone One Net, the service is expected to be launched in Germany and the UK during the 2011 financial year. The service provides enterprise customers of all sizes with advanced office desk phone functionality integrated with their mobile services.

Our partnership with Microsoft has enabled us to combine these converged services with the Microsoft online suite, providing our customers with hosted email and productivity tools as well as conferencing and collaboration services in a single package. The services have launched successfully in Germany and Spain.

Vodafone Global Enterprise ('VGE') manages the relationships with over 550 of our largest multinational corporate customers. VGE simplifies the provision of fixed, mobile and data services for MNCs who need a single operational and commercial relationship with Vodafone worldwide. It provides a range of managed services, such as central ordering, customer self-serve web portals, telecommunications expense management tools and device management coupled with a single contract and guaranteed service level agreements.

Within VGE, our machine-to-machine ('M2M') business unit provides MNC customers with global capabilities for M2M services through a single platform and a global numbering range. The business has achieved major customer wins in both the automotive and smart metering sectors. VGE has continued to expand both its footprint and the services it provides to our customers and now has dedicated resources in India and Africa, both growing areas for VGE's services. For the fourth year running VGE has extended its position in the Gartner Magic quadrant report to become the clear industry leader.

Share of Europe service revenue from enterprise services

30%



Product focus: Vodafone One Net

Provides small and medium-sized business with just one number for their fixed and mobile calls.

> Enterprise services

Vodafone offers total communications solutions for a wide range of enterprise customers from small businesses to large multinational companies.

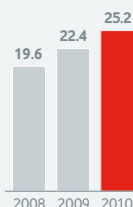
Vodafone One Net

- **Vodafone One Net brings together fixed and mobile communications in one system. It means that every user can have just one number for their desk phone and mobile, and one voicemail box for their messages.**
- **For a fixed cost per employee, customers can get business quality internet and email, a mobile and/or desk phone for every user, with advanced call management features and unlimited calls between all their company phones whether fixed or mobile.**

Vodafone Unified Communications

- **An integrated communications solution in partnership with Microsoft which provides a customer with just one interface for all of their communications, enabling employees to access emails, share documents and files, access calendars, hold web and video conferences and exchange instant messages from any location and using almost any device.**

Enterprise mobile voice connections (millions)



Business managed services

- **As customers look to improve their efficiency they are increasingly looking to Vodafone to take control of their technology for them.**
- **Business managed services provide fully managed solutions which bring together every aspect of a customers' telecommunications infrastructure, both fixed and mobile, into a single management view.**
- **Services include logistics, cost control, and security and online management portals offering single-sign-on.**

Machine-to-machine

- **Machine-to-machine ('M2M') communication allows businesses to automate the capture of data, perform real-time diagnostics and repair and to control assets remotely.**
- **We support M2M solutions ranging from location monitoring of vehicles and remote patient monitoring through to supporting real-time secure payments and providing real-time inventory reports for retailers, corporate and MNC segments.**



Product focus: Vodafone Mobile Wi-Fi

Provides a personal Wi-Fi network for up to five users.



Technology and resources

Our key technologies and resources include the telecommunications licences that we hold and the related network infrastructure which enable us to operate our telecommunications networks around the world.

Delivering the best customer experience

We have built extensive coverage across our networks and strive to deliver the best possible user experience for our customers.

- **Over 200,000 base station sites for the transmission of wireless signals.**
- **Network traffic of nearly 700 billion minutes and over 90 petabytes of data per year.**
- **Peak download speeds of up to 28.8 Mbps.**

We continue to deliver a high quality customer experience across all of our markets, leveraging the extensive knowledge and expertise that we have across the Group. We measure key performance indicators across our markets on an ongoing basis to ensure we maintain high standards of service quality and availability. We also participate in regular network drive test campaigns conducted by independent third party companies to benchmark our networks against those of our major competitors.

Over the last year we have introduced advanced tools across all of our established 3G markets in Europe providing us with the ability to monitor and proactively manage our customers' experience on the network.

Network infrastructure

Our network infrastructure provides the means of delivering our mobile and fixed voice, messaging and data services to our customers. Our customers are linked via the access part of the network which connects to the core network that manages the set-up and routing of calls, transfer of messages and data connections.

Second generation ('2G')

We operate 2G networks in all of our mobile operating subsidiaries through global system for mobile ('GSM') networks, offering customers services such as voice, text messaging and basic data services. In addition, all of the Group's controlled networks operate general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to be used for sending and receiving data over an IP based network and enabling data service offers such as internet and email access. In a number of networks, we also provide an advanced version

of GPRS called enhanced data rates for GSM evolution ('EDGE'). These networks provide download speeds of over 200 kilobits per second ('kpbs') to our customers.

Third generation ('3G')

Our 3G networks, operating the wideband code division multiple access ('W-CDMA') standard, provide customers with an optimised data access experience. We have continued to expand our service offering on 3G networks, which provide high speed internet and email access, video telephony, full track music downloads, mobile TV and other data services in addition to existing voice and basic data connectivity services.

High speed packet access ('HSPA')

HSPA is a 3G wireless technology enhancement enabling significant increases in data transmission speeds. It provides increased mobile data traffic capacity and improves the customer experience through the availability of 3G broadband services and significantly shorter data transfer times. All of our markets with 3G capability now support the 3.6 mega bits per second ('Mbps') peak speed evolution of high speed downlink packet access ('HSDPA') and with peak speeds of up to 28.8 Mbps peak speed in some areas. The figures are theoretical peak rates deliverable by the technology in ideal radio conditions with no customer contention for resources. While HSDPA focuses on the downlink (network to mobile), high speed uplink packet access ('HSUPA') focuses on the uplink (mobile to network) and peak speeds of up to 1.4 Mbps on the uplink are now available across all of our markets, with peak speeds up to 5.8 Mbps available in key areas across many of our 3G networks.

Evolving our networks

We continually improve our network and IT capability in order to enhance the service we provide our customers.

With the increasing adoption of mobile broadband services and the wider availability of advanced smartphones we are seeing accelerated growth in data traffic across our networks. To ensure we continue to deliver the best possible quality of service to our customers we are proactively evolving our infrastructure through a range of initiatives.

Our networks provide peak download speeds of up to 28.8 Mbps. We expect to provide ever faster speeds in the years to come.



Population coverage in Europe

99%

with 2G and over 80% with 3G

Access network evolution

We are actively driving additional 3G data technology enhancements to further improve the customer's experience and capacity of our networks including evolutions of HSPA technology to increase both the downlink and uplink speeds. We have successfully trialed evolutions of mobile broadband technology delivering peak rates of 43.2 Mbps. During the 2011 financial year we expect to extend the availability of 28.8 Mbps downlink and 5.8 Mbps uplink speeds within our network.

We have continued to expand our fixed line footprint in accordance with our total communications strategy by building our own network and/or using wholesale arrangements in 13 countries at 31 March 2010.

Transmission network evolution

We continue to upgrade our access transmission infrastructure from the base stations to the core switching network to deal with the increasing bandwidth demands of the access network. We have continued to pursue a strategy of implementing scalable and cost effective self-build solutions and are also leveraging our DSL interests by increasingly backhauling data traffic onto more cost effective DSL transport connections. During the 2010 financial year we also introduced new high capacity ethernet microwave solutions into our access transmission network and continued to deploy high bandwidth optical fibre more widely across our access transmission network. In the core transmission network we have continued to expand our high capacity optical fibre infrastructure, including technology enhancements, which enable the use of cost effective IP technology to achieve high quality transport of both voice and data traffic.

Core network evolution

At 31 March 2010 we had consolidated 15 national IP networks into a single IP backbone, including all markets in our Europe region, centralising IP operations to avoid duplication and achieve simplicity and flexibility in the deployment of new services to serve multiple markets. We have also introduced advanced yield management capabilities across substantially all of our established 3G markets. This provides us with the ability to actively manage the capacity allocated

in our networks in order to optimise the overall customer experience we deliver.

We have continued to expand the deployments of IP multimedia subsystem ('IMS') infrastructure across these markets in order to serve the increasing demand for advanced internet based services and applications.

Licences

The licences held across our operating companies enable us to deliver fixed and mobile communication services. Further detail on the issue and regulation of licences and a table summarising the most significant mobile licences held by operating subsidiaries and the joint venture in Italy at 31 March 2010 can be found in "Regulation" on page 133. In addition, we also have licences to provide fixed line services in many of the countries in which we operate.

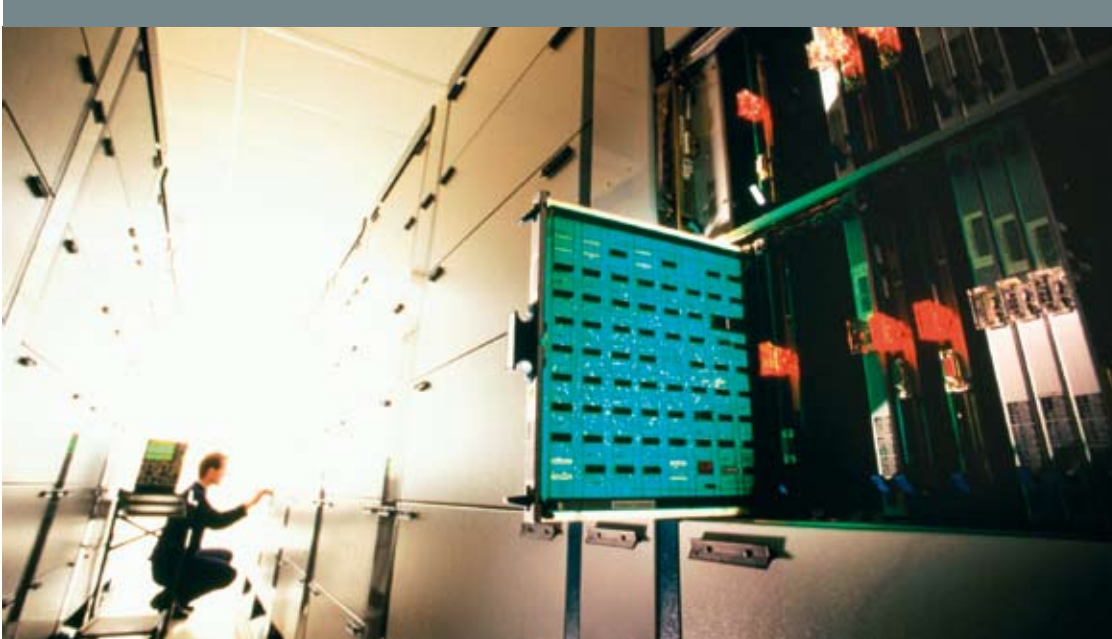
We regularly assess the value of our spectrum holdings and participate in auctions to supplement our holdings on a case-by-case basis.

Innovation

We are a pioneer in products and services to enhance customer choice and user experience.

Quality of service for data applications

We have been driving the development of quality of service differentiation in 3G which enables us to carefully manage the assignment of capacity in our networks during the busiest times. With increasing data demands, driven by faster HSDPA and fixed broadband, this capability enables us to manage our costs through intelligent allocation of network resources. We have already launched quality of service differentiation to customers in Spain and Romania and plan further launches across the majority of our 3G footprint.



Femtocells

At 31 March 2010 we had femtocells in service in the UK and Qatar and continue to trial the product in several other markets. Available as Vodafone Sure Signal in the UK, these innovative devices provide a personal 3G mobile phone signal to our customers by connecting to our core network and services via their household broadband connection, providing enhanced coverage to our customers in areas where mobile operators are unable to give customers a strong enough signal in their homes.

IT

As we integrate fixed and mobile services together, and as the web becomes increasingly mobile, IT has become a key enabler for service innovation. New IT technologies, such as cloud-based services, which provide unlimited processing capabilities by utilising shared resources on the internet, and service oriented architecture solutions, are delivering new revenue generating services and a consistent and enriched user experience for our consumer and enterprise customers.

For example in September 2009 Vodafone 360 was launched across Europe which required a common set of interfaces for partners such as Google and Nokia. This architecture is expected to be the foundation for future innovative consumer and enterprise propositions.

Research and development

Research and development is oriented to incubate and deliver innovation to the business, from disruptive new technologies to incremental commercial enhancements. Supporting our strategic objectives we have undertaken significant and varied activities during the 2010 financial year. Highlights include:

- a way to use the mobile subscriber identity module ('SIM') card to simplify and authenticate secure virtual private network access to corporate networks;
- trials of next generation wireless technologies including GSM evolution, HSPA evolution and 4G;
- new machine-to-machine capabilities enabling us to deliver new services to our customers;
- near field communications ('NFC') tags that add new functionality to mobile handsets already in use;

- formation of the wholesale application community ('WAC') where innovative applications are developed through the global alliance of mobile operators and device manufacturers;
- participation in industry-wide initiatives to develop standards for 4G mobile communications;
- delivery of a mobile healthcare programme supporting our commercial and corporate responsibilities; and
- a series of prototypes which enhance the mobile experience (voice, video, gesture and data) by utilising cloud computing technologies.

Cost reduction

While evolving the Group's infrastructure it is also important that we continue to have a tight control over our cost base. We have been actively driving a variety of initiatives which enable us to manage our network investments.

Infrastructure sharing

Significant effort has been placed in reducing the costs of deploying mobile network infrastructure and we are now conducting network sharing in all of our controlled markets as well as securing network sharing agreements on over 75% of the new radio sites we deployed across the Group in the 2010 financial year.

Transmission self build

We are driving significant reductions in our ongoing operational costs through our strategy of building our own high capacity backhaul transmission network as opposed to leasing capacity from third party network providers. We now own over 75% of the backhaul transmission network across the markets in our Europe region.

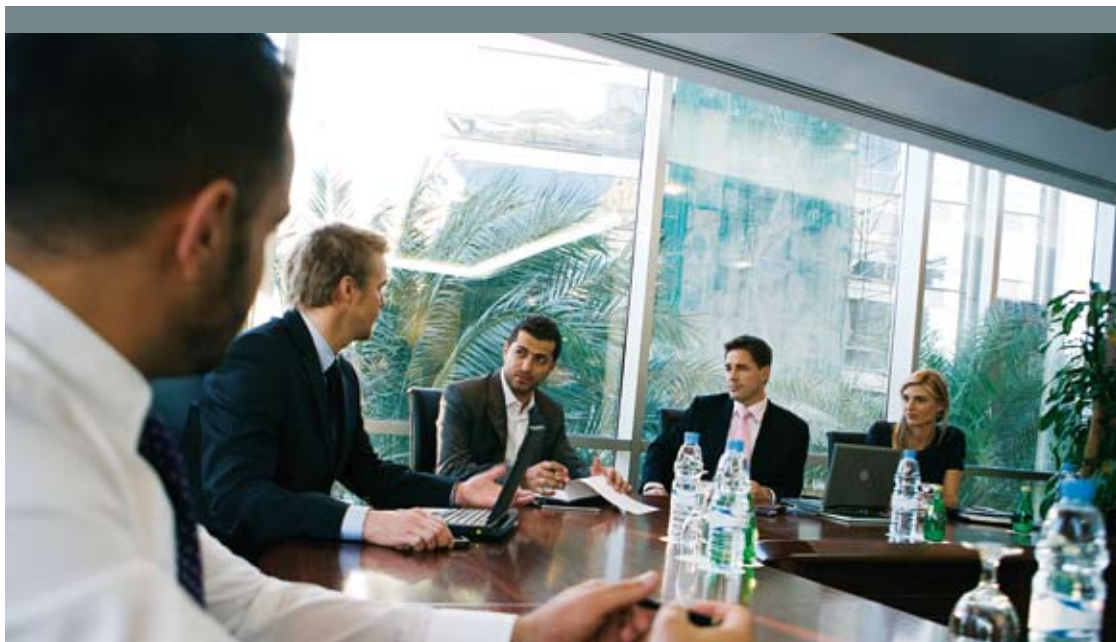
IT transformation

The IT transformation programme launched in the 2009 financial year is on track to deliver its targeted savings and business benefits. The main focus areas include moving towards a common delivery model, simplifying the use of applications to minimise complexity and implementing a standard unified communications toolset including video and audio conferencing on standard PCs.



Product focus: Vodafone Sure Signal boosts your mobile signal at home or work.

All you need is a home broadband connection, a 3G phone and our easy-to-install Vodafone Sure Signal box.



Proportion of new radio sites shared

75%

Supply chain management

Handsets, network equipment, marketing and IT services account for the majority of our purchases, with the bulk of these from global suppliers. Our supply chain management ('SCM') team is responsible for managing our relationships with all suppliers (excluding handsets) and for providing cost benefits through utilisation of scale and scope.

Since the launch of our supplier performance programme, the performance of these global suppliers has improved year-on-year. The best performing suppliers are recognised annually during our supplier conference. Our SCM team was recently voted as one of the top 20 most admired companies for "buy negotiation" by a study run by the International Association for Contract & Commercial Management.

SCM is a major contributor to our cost reduction programme and operates across all local markets, achieving savings that are measured using a unified methodology and are reported regularly to the Executive Committee. SCM has been operating its strategic procurement function from the Vodafone Procurement Company ('VPC') in Luxembourg for over two years, driving increased standardisation and cost savings through the use of global price books and contracts, e-auctions and low cost network vendors. Worldwide independent benchmarking studies have shown our SCM team has achieved significant cost advantages and indicate that we are achieving best in class pricing for IT storage and servers. We also operate through the China Sourcing Centre which has achieved significant trading volumes further improving the Group's cost base.

Our suppliers are expected to comply with the Group's Code of Ethical Purchasing as well as stringent health and safety plans. Further detail on this can be found in "Corporate responsibility" on page 45.

It is our policy to agree terms of transactions, including payment terms, with suppliers and it is our normal practice that payment is made accordingly.



Solar panels powering our base stations in India

We are working hard to reduce our own carbon impact through increasing energy efficiency and use of renewable energy as well as behaving responsibly by seeking to manage environmental issues in our supply chain.

People

Vodafone employed an average of around 85,000 people worldwide during the 2010 financial year. We rely on our people to maintain and build on our success and to deliver excellent service to our customers. We aim to attract, develop and retain the best people and to realise their full potential. We maintain high levels of employee engagement, investing in employees' development and offering attractive, performance-based incentives and career progression.

Culture, communications and engagement

- **The Vodafone Way aligns all Vodafone employees to a common set of values and behaviours.**
- **Aiming to be an admired, innovative and customer-focused company operating with speed, simplicity and trust.**
- **Maintained high performance benchmark for employee engagement.**

During the 2010 financial year we launched a change programme called "The Vodafone Way". The Vodafone Way is about being an admired company in the eyes of our customers, shareholders and employees by operating with speed, simplicity and trust. The programme has defined a consistent set of values and behaviours for all Vodafone employees. Many of our senior leaders have been through a workshop to embed The Vodafone Way behaviours and these workshops will be extended to all senior leaders during the 2011 financial year. The performance and potential of our employees are reviewed against the standards of The Vodafone Way.

The Vodafone Way is very much about increasing customer focus. For one day each month senior leaders in every operating country and the Group spend time with customers and customer-facing staff, such as in retail stores or contact centres. Insights from these customer days are used to simplify customer-facing processes and improve customer experiences.

In November 2009 we carried out our fifth annual global people survey. The survey measures employees' level of engagement (a combination of pride, loyalty and motivation). 89% of employees surveyed responded which is four percentage points more than last year.

We achieved an overall employee engagement score of 76% which means that we have maintained the high performance benchmark for engagement for the second year in a row. The high performance benchmark is an external measure of best in class organisations that achieve strong financial performance alongside high levels of employee engagement. This achievement demonstrates that people continue to feel proud to work for Vodafone and are committed and willing to give their best.

Regular, consistent and open communication is fundamental to ensuring we maintain high levels of employee engagement. Our people have access to information about our business through a global intranet with local translations and content where appropriate. The Chief Executive communicates directly with all of our employees via regular email and video updates particularly focusing on business performance, strategy and The Vodafone Way. This is reinforced with local CEO communications in all our markets. Relevant performance and change issues are also discussed with employee representatives from operating companies within the European Union, who meet annually with members of the Executive Committee in the Vodafone European Employee Consultative Council.

Organisation effectiveness and change

- **Continued focus on efficient and effective organisation structures.**
- **Headcount reduction in several markets including the UK and Ghana.**
- **Successful integration of Arcor into Vodafone Germany.**

We continued to optimise the shape and size of our organisation during the 2010 financial year. The majority of operating companies reduced the number of layers from the top to the bottom of their organisation and increased management spans of control, resulting in flatter structures with wider management accountability. Several of our markets made significant organisation changes in the year:

- Vodafone UK simplified its organisation structure, primarily in back office functions, resulting in 490 redundancies. In the 2011 financial year the UK will be recruiting for 170 new customer-facing roles and appointing 50 graduates into their graduate programme;
- 233 redundancies were made across central commercial functions. The majority of these were from the reshaping of the internet services function which included the closure of Wayfinder, Vodafone's location based services organisation in Sweden;
- the formation of the joint venture, Vodafone Hutchison Australia, in June 2009 led to 340 redundancies from Vodafone Australia;
- Vodafone Ghana continued its change programme reducing employee numbers by 1,331 and recruiting more than 350 Ghanaians into new roles in the business;
- Vodafone Turkey reviewed its organisation structure to streamline processes and reduce duplication. This resulted in over 300 redundancies. Turkey has reinvested in hiring similar numbers of new talent into key roles and building a graduate recruitment programme;
- in December 2009 the legal merger of Arcor and Vodafone Germany was finalised and the two organisations have been successfully integrated following the creation of a single executive committee in March 2009.

The above organisation changes clearly had significant implications for the employees in these markets. Changes were communicated clearly and transparently. We offered a range of support to help affected employees find new jobs, for example outplacement services, insights into how to set-up their own business and training on interview and resume writing skills. Vodafone aims to treat all employees fairly, ensuring healthy employee relations through open communications and employee consultation.

Talent and resourcing

- **Regular reviews of peoples' performance and potential.**
- **Graduate recruitment programmes in almost all operating countries.**
- **Continued focus on increasing diversity and inclusion:**
 - **14% of senior leaders, two Executive Committee members and three operating company CEOs are female; and**
 - **26 nationalities are represented in senior leadership roles.**

During the 2010 financial year we increased our focus on driving high performance and building a strong base of talented leaders and employees. All managers are encouraged to hold regular performance discussions with their direct reports. Annual performance dialogues are mandatory to enable each employee to receive a performance and potential rating which is the basis for development planning and reward decisions. Quarterly departmental and operating company talent reviews have been introduced, alongside annual development boards. For most senior leadership roles, the Executive Committee review succession and key appointments each month.

We want to attract the best and brightest graduates to work in all of our operating companies. A globally consistent graduate recruitment programme has been introduced with a target of 230 top graduate

Employees
85,000



Nationalities in top senior management roles

26



Employees by location



1. Germany	15.9%
2. Italy	7.3%
3. Spain	5.1%
4. UK	11.5%
5. Vodacom	8.0%
6. India	11.9%
7. Other	40.3%

hires across the Group during the 2010 calendar year. We have also partnered with seven leading MBA schools to hire top MBA graduates to join us and progress to key management and leadership roles.

We aim to create a working culture that is inclusive to all and believe that having a diverse workforce helps to meet the different needs of our customers across the globe. We do not condone unfair treatment of any kind and offer equal opportunities for all aspects of employment and advancement regardless of race, nationality, sex, age, marital status, sexual orientation, disability or religious or political belief. This also applies to agency workers, self employed persons and contract workers who work for Vodafone. In the latest people survey 87% of employees agreed that people in Vodafone are treated fairly, regardless of their gender, background, age or belief.

The main focus of our diversity strategy has been on gender with actions taken to provide inclusive working policies and to increase inclusive behaviour amongst managers. Compared to the 2009 financial year there has been a slight increase in the percentage of women in senior roles, up from 13% to 14%. There will be continued efforts to increase the proportion of women in senior leadership roles during the 2010 financial year.

More recently we have extended our diversity strategy to focus on diversity of nationality, industry background and technical experience. 26 nationalities are represented in the senior leadership of the Group.

Learning and capability development

- **Global programmes continue to develop high potential employees.**

We are committed to helping people reach their full potential through ongoing training and development. In our most recent people survey 71% of employees rated their opportunities to develop their skills and knowledge as good or very good.

Inspire, our global leadership development programme, is in its second year. The programme focuses on identifying and developing potential future leaders from within the Group. The programme builds commercial capability and leadership skills through an 18 month fast-track approach. 67 managers from 19 countries participated in the programme during the 2009 calendar year and 51 have started on the 2010 calendar year course. Of the managers who have completed the programme, 40% have been promoted to a more senior role.

Performance, reward and recognition

- **Extension of reward differentiation based on individual performance.**
- **Replacement of UK defined benefits pension scheme with enhanced defined contribution scheme.**

We reward employees based on their performance, potential and contribution to the success of the business and we aim to provide competitive and fair rates of pay and benefits in every country where we operate. Global short- and long-term incentive plans are offered to leadership and management levels and paid according to individual and company performance.

In response to global economic conditions a pay freeze policy was introduced to the senior leadership team in the 2010 financial year. Most operating companies did however award bonuses through global or local plans, with greater emphasis on rewarding strong business and individual performance.

In January 2010 we confirmed the closure of our UK defined benefit pension scheme for future accruals on 31 March 2010. All UK based employees were invited to join a new, enhanced defined contribution pension scheme, which we believe is now highly competitive in the local market as well as more sustainable longer-term.

Health, safety and wellbeing

- **Significant and increased effort to address the frequency and likelihood of fatal accidents in high risk countries.**

The health, safety and wellbeing of our customers, employees and others who could be affected by our activities are of paramount importance to us. Expansion in emerging markets and the application of the most rigorous and demanding tracking methodologies have this year highlighted an unacceptable level of fatal accidents. It is deeply regrettable that 27 fatalities occurred related to our operations in the 2010 financial year. 24 of these were third party contractors and three were Vodafone employees. Over 80% of these incidents occurred in India, Ghana and Turkey – markets with a legacy of poor safety practice and infrastructure, and a high rate of road accidents.

Loss of life as a consequence of us doing business in any country is unacceptable to us and tackling the causes of these fatalities is a top priority. Urgent action was taken to improve safety governance and awareness in these countries which has resulted in a significant reduction in fatal incidents in the second half of the 2010 financial year. In the countries where the majority of the incidents occurred we have introduced a fatality prevention plan and linked this to the performance objectives of each CEO. The plan includes two key initiatives: adopting Det Norske Veritas' International Safety Ranking System (ISRS) and implementing a set of absolute rules as mandatory requirements to drive safe behaviour. Further details can be found at www.vodafone.com/responsibility and in the 2010 sustainability report.

Employment policies and employee relations

- **We aim to be recognised as an employer of choice.**
- **We strive to maintain high standards and good employee relations.**

Our employment policies are developed to reflect local legal, cultural and employment requirements. We aim to be recognised as an employer of choice and therefore seek to maintain high standards and good employee relations wherever we operate.

Our business principles set out our ethical standards and we have recently developed a code of conduct that defines what employees need to do to live up to our business principles. New and existing employees will receive communication and training on the code of conduct during the 2011 financial year.

Key performance indicators

KPI	2010	2009	2008
Total number of employees ⁽¹⁾	84,990	79,097	72,375
Employee turnover rates (%)	13.0	13.0	15.2
Number of women in the top senior management roles	33 out of 228	29 out of 221	26 out of 211
Number of nationalities in the top senior management roles	26	23	20

Note:

(1) Represents the average number of employees during the financial year.