Strategy (continued)

Enterprise 2015

As enterprise customers embrace flexible and remote working to improve business efficiency, our fixed and mobile converged solutions and global footprint enable our customers to become more effective in their business operations. Our services enable our customers to make mobility a central part of the services they offer their own customers.

Market context:

The core criteria our enterprise customers use when choosing a communications service provider are speed, simplicity, flexibility, cost and security. We are well placed to offer enterprise customers all of these through our mobile and fixed converged services, applications and secure solutions. Enterprises are expected to spend €78 billion in 2014 in areas where Vodafone provides its services: mobile voice, messaging, data and fixed line.[1]

Towards 2015:

Our 2015 enterprise strategy is based on six pillars: accelerating our converged offers; consolidating our lead in M2M; growing Vodafone Global Enterprise and our Carrier Services businesses; leveraging our hosting capability; and offering cloud-based software as a service.

Our enterprise customers range from small-office-home-office ('SoHo') businesses and small to medium-sized enterprises ('SME'), through to large domestic and multi-national corporates ('MNC').

Strengths:

Our broad geographic footprint allows us to offer customers cross border fixed and mobile converged solutions while realising scale benefits. Our recent purchase of CWW has augmented our ability to offer fully converged solutions and offer market-leading hosting capabilities in the UK.
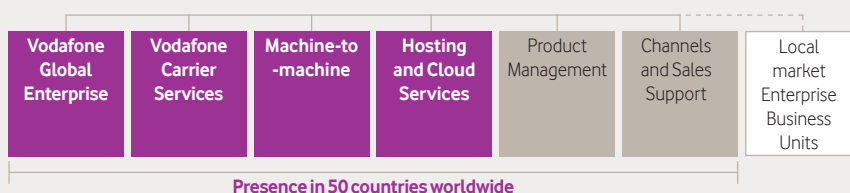
Actions:

We have created a Group-wide enterprise services organisation, following the CWW acquisition.

Progress:

Enterprise now represents 27% of Group service revenue. Across the Group we have over 32 million mobile enterprise customers accounting for around 8% of all customers.

Our enterprise business

In conjunction with our acquisition of CWW and TelstraClear and to deliver our enterprise strategy, we created a Group-wide enterprise services organisation on 1 January 2013. The unit comprises four vertical business units, and two supporting units.

| Vodafone Global Enterprise | Vodafone Carrier Services | Machine-to-machine | Hosting and Cloud Services | Product Management | Channels and Sales Support | Local market Enterprise Business Units |

Presence in 50 countries worldwide

Vodafone Global Enterprise ('VGE')

VGE serves the needs of Vodafone's largest MNC customers, serving around 1,700 customers representing 5.9 million connections, including an additional 200 customers from the integration of CWW.

MNCs demand a consistent multi-country offer from Vodafone across our global footprint. VGE simplifies operations for these customers by providing them with a single account and service team, a single contract, single pricing structures and a single portfolio of products and services. VGE has created a market-leading portfolio of managed mobility services providing capabilities such as spend management or device security in addition to providing the underlying connectivity and devices.

During the financial year VGE achieved revenue of £1.7 billion, with growth of 5%[*].

For more information on VGE visit our website at: enterprise.vodafone.com.

Vodafone Carrier Services

Vodafone Carrier Services was created in January 2013 to consolidate all the Group's carrier buying and selling into one dedicated unit to maximise efficiencies. The acquisition of CWW provided Vodafone with a market-leading carrier capability, and when augmented by existing Group capability gives Vodafone significant carrier scale. The Group carries nearly 28 billion minutes of international traffic annually, on a network of nearly 500,000 kilometres of submarine cable routes.

Machine-to-machine

M2M connections allow machines to communicate with one another through our network. It is our vision to transform lives and businesses by providing the most innovative M2M products and services for our customers. Smart metering, automotive and logistics are currently the key growth sectors, with the potential global market for M2M connectivity growing from US$5.7 billion in 2011 to US$12.0 billion by 2015[2]. We are now serving around 11.1 million M2M connections globally, up from 7.8 million last year.

An increasing number of global businesses are incorporating M2M communications into their core operations, leading to greater productivity, enhanced customer service, lower energy use and decreased carbon dioxide emissions. For more information on M2M visit our website at: m2m.vodafone.com.

Hosting and Cloud Services

Our new Hosting and Cloud Services include fully managed hosting solutions as well as cloud computing, co-location, server and website hosting, storage and security, and build on the capability acquired from CWW, allowing us to target a leading position in a rapidly growing market. The hosted services market in Western Europe is worth over an estimated €21 billion,

Services that support SMEs

Irish Farm Computers, a software business based in County Meath, creates software solutions for farming businesses. It's a small, highly personal business that relies on Vodafone One Net to manage incoming calls. "The flexibility enables a far more professional approach to business, and our customer feedback has been excellent," says their operations manager.

The acquisition of Cable & Wireless Worldwide in July 2012

What was the rationale for the acquisition?

→ To create the only integrated fixed and mobile player in the UK.

→ To take advantage of CWW's UK 20,500 kilometres fibre network infrastructure which is within 100 metres of one-third of Vodafone's UK base stations, and the extensive international cable network assets spanning 425,000 kilometres.

→ To drive significant synergies from the combined scale.

What are the financial implications and synergy benefits from this acquisition?

→ We spent £1.3 billion to acquire the business.

→ We expect integration costs of £500 million.

→ We aim to deliver annual cash flow synergies of at least £150 to £200 million by the 2016 financial year.

→ We aim to deliver operating free cash flow from the acquisition of £250 to £300 million in the 2016 financial year.

What are the network and product benefits from this acquisition?

→ CWW's UK base station backhaul circuits and the migration of Vodafone traffic onto CWW's international cable network enable us to reduce third-party wholesale payments and will help support the launch of 4G services.

→ Rationalisation of the combined Vodafone and CWW enterprise product set aids procurement savings across network and IT services. Over 60% of products will be retired or merged to deliver a simpler and more customer focused portfolio.

What has been your experience so far?

→ We have been realistic about the opportunities, investment requirements and risks for CWW.

→ We have found the business is in better shape than expected and are stabilising its financial, operational and customer performance .

→ We have accelerated the integration plan by forming a single integrated organisation and rebranded as Vodafone.

→ Initial synergies have been realised through initiatives such as removal of corporate overheads, utilising Vodafone's scale for procurement and are in the process of transferring Vodafone's traffic onto CWW's network.

Cable&Wireless Worldwide

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and the estimated compound annual growth rate is over 14% from 2011 to 2016[3]. Vodafone's Hosting and Cloud business generated revenue of £213 million in the 2013 financial year.

With a large portfolio of UK data centres and cloud-based hosting capabilities, we are well placed to capitalise on the growing technology and procurement link between hosting, cloud and connectivity. Vodafone will look to expand and deepen its hosting offer to all segments over the coming year.

Supporting units

The two supporting units within Group Enterprise, Product Management and Channels and Sales Support, will drive scale, consistency and excellence across the Group in sales; product management and development; and operational delivery; in order to sustain efficiencies and ensure customer service and experience is consistent irrespective of customer scale or location.

Enterprise convergence

As enterprise customers embrace flexible and remote working to improve business efficiency, so Vodafone's fixed and mobile converged solutions are increasingly vital to our customers' business operations:

→ "Always on" is expected and demanded by customers: 78% of small firms agreed an instant response is the top factor in maintaining a competitive edge and 40% of small firms surveyed said customers expect a response to a social media query in under an hour[4].

→ Streamlining fixed and mobile communications can help businesses save money, boost productivity and increase responsiveness to customer needs.

Vodafone One Net offers customers a single telephone number which rings on both their fixed desk-phone and mobile handset. Vodafone One Net users have complete control over where and when they take their calls. As a result we help improve business efficiency, flexibility and cost control. Vodafone One Net users generate higher revenue and have lower churn than mobile-only customers. At the end of the year, we had around 3.0 million Vodafone One Net customers across ten markets.

Enterprise mobile data

Vodafone's device management solutions help customers manage the rapidly increasing number of mobile devices used in their business, such as smartphones and tablets. Our reliable and secure data networks allow our customers to make full use of the mobile internet for business. Enterprise data revenue grew 10.0%[*] this year driven by smartphone penetration of around 48% in Europe, as the use of the internet on smartphones has increased.

Vodafone's unique global footprint

Our global scale was key to ThyssenKrupp selecting us to provide 60,000 mobile voice and data connections across 30 countries and 50,000 M2M connections to aid remote management of their industrial products. This contract is able to meet ThyssenKrupp's specific needs, and offers excellent value for money and worldwide service management from one source.

Notes:
1   Sourced from IDC and Vodafone estimates.
2   Analysys Mason report M2M device connections, revenue and ARPU: worldwide forecast 2011–2021 (May 2012) and includes connectivity-related segments of the M2M value chain, such as M2M hardware and M2M application service.
3   Vodafone report commissioned by McKinsey.
4   Vodafone working smarter to succeed report, 2011 and Vodafone's critical response time index, 2010.