

Strategy (continued)

Operations²⁰¹⁵

1 2 3 4

We are using the benefits of our global reach and scale to standardise and simplify the way we do business across the Group. This will both improve cost efficiency and reduce the time to launch new services and products to our customers.

Market context:

Against a background of challenging economic, regulatory and competitive pressures, in our European markets in particular, we are taking a number of actions to improve operating efficiency and reduce unnecessary processes and costs. We are also experiencing a trend towards greater data usage, which requires us to reconfigure our IT systems and standardise operating practices to support new pricing plans and new data centric services such as mobile payments and M2M solutions.

Towards 2015:

Over the next three years we will simplify further our business processes both across and within countries, eliminating legacy structures, reducing non customer-facing costs and moving towards more standardised offerings. This will enable us to maximise the benefits of our scale and share commercial, technical and support functions across geographies in Europe, and to speed up and co-ordinate our time to market for new propositions and services. We see a significant opportunity in unifying network and IT management across multiple markets, in further centralising and standardising functions and processes, and in offshoring more business functions to shared service centres of expertise.

Strengths:

Vodafone is one of the world's largest mobile companies. Our scale enables us to secure considerable unit costs savings through various measures including bulk purchasing, standardisation of processes and transferring activities to lower cost locations within the Group.

Actions:

We are targeting an absolute reduction in European operating expenses ('opex') from cost saving programmes of £0.3 billion in the 2014 financial year.

Progress:

Over the last three years we have reduced the absolute European opex base by some £0.3 billion, which has been used in part to offset inflationary pressures or cope with the volume of extra traffic on our networks.

**Vodafone and Telefónica UK (O₂) network collaboration**

Together with Telefónica UK we have started a collaboration to operate and manage jointly a single network grid in the UK that will run two competing nationwide mobile internet and voice networks. These networks will be able to offer indoor 2G and 3G coverage targeting 98% of the UK population by 2015, delivering mobile voice coverage and mobile internet services to the vast majority of UK households. We also intend to offer indoor 4G coverage targeting 98% of the UK population at speeds of at least 2Mbps by 2015.

10.4%

represents our supply chain saving as a share of controlled spend during the year, which exceeded the Hackett world class benchmark of 7.6%.

>69%

of the new radio sites deployed across the Group were shared with other mobile operators, which reduces the cost of renting or building new sites.

We are taking a number of steps across the Group to improve our cost efficiency and simplify our processes:

Cost efficiency

Over 69% of the new radio sites deployed across the Group during the year were shared with other mobile operators, which reduces the cost of renting or building new sites and reduces the environmental impact.

During the financial year we commenced a UK network sharing agreement with O₂ and we are targeting 18,500 sites to be shared by 2015. In Ireland, we have entered into a site sharing agreement with Three Ireland, targeting 2,000 shared sites by 2015.

With a clear focus on driving greater standardisation and simplification, we are optimising the supplier base across our operations. In India for example, following supplier segmentation exercises and a rigorous drive to improve operational efficiencies, we rationalised our supplier base by about 75% over the last two years.

Unifying network management

During the year we reduced the number of network engineering teams in Europe from 13 individual country teams to four consolidated teams. We also consolidated our network operations centres, which provide service level monitoring in Europe, to two from 13. In India, the 12 separate regional network operations centres have been consolidated into one single centre in Pune.

Unifying IT management

We are progressing well in decommissioning, with over 100 legacy IT applications during the 2013 financial year. In addition, common customer operations processes are being progressively deployed throughout the Group, which are supported by a single set of tightly integrated IT applications. These actions are expected to both reduce costs and improve the time to market for new offers such as mobile commerce services.

We have developed one integrated data centre cloud across Europe and Africa and are well underway to extending it to Asia this year which enables us to operate highly resilient services and to be faster to market with our new services.

Centralising and standardising functions and processes

Our central purchasing function, the Vodafone Procurement Company (the 'VPC') in Luxembourg, consolidates spend across our global operations allowing us to leverage scale, and achieve better prices and terms and conditions. During the financial year the spend managed through the VPC increased to €6.9 billion up from €5.3 billion in the 2012 financial year.

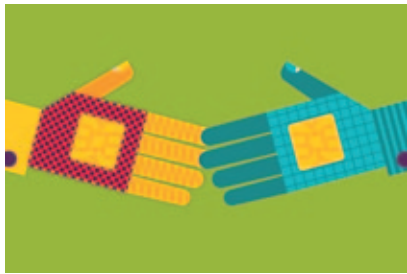
In addition we continue to centralise procurement of software and licences, which is anticipated to generate around £100 million of cost benefits over the next three years.

Shared service centres of expertise

We use shared service centres in Hungary, India and Egypt to provide financial, administrative, IT, customer operations and human resource services for our operations in over 30 countries which helps us to standardise and optimise the way we run our businesses. The number of shared centre employees has increased from 6,000 in 2012 by nearly 30% to over 7,800 by 31 March 2013, and we are targeting around 10,500 by March 2014.

M2M solutions for energy savings

Applying our M2M solutions to monitor energy at our network sites, offices, retail premises and data centres has allowed us to optimise energy consumption, procure competitively and reduce our carbon footprint. This has delivered savings over the last two years of about 25% across 11 European markets winning us recognition at the European Supply Chain Excellence Awards 2012.



Modernising the UK business

In the UK we are introducing a simplified organisation and enhancing our IT systems in order to improve our customers' experience of interacting with Vodafone. This will, for example, enable the UK business to reduce the number of different price plans from 5,000 to just 500. Additionally we will be able to better integrate the various routes our customers use to interact with us – retail shops, online, call centres and mobile devices – to make it easier for customers to order online and pick up in store.

>7,800

of our employees are now in four low cost, high skill locations, to provide shared services for the Group.