

Our strategy (continued)

Consumer Europe

While voice and messaging remain important for European consumers, demand for data is rapidly accelerating. We are focused on providing the best data experience – both in mobile and fixed – matched by outstanding customer service combined with a range of worry-free price plans and additional services.

Context

- Nearly half our European customers now use a smartphone, with more and more also using tablets.
- The average data usage per customer is also increasing rapidly.
- Customers want simplicity and worry-free bills and they demand the best in customer service.
- The bundling of fixed and mobile products for residential customers is becoming increasingly common across Europe and we expect this trend to continue.
- Aggressive price competition continues in many of our markets.

Where we are going

- We are enabling worry-free usage through our Red and roaming plans.
- We are improving our customer experience across all contact points.
- We are pushing the adoption of smartphones and are encouraging our customers to use more and more data.
- We are becoming a leading unified communications provider across Europe.
- We are innovating in mobile payments.

Vodafone Red enabling worry-free usage

Vodafone Red offers unlimited calls and texts with generous data allowances – enabling our customers to use their smartphones worry-free. We already have 12 million users across 20 markets and 37% of new contract customers join on Red plans. Our research shows that Red customers are more likely to recommend us to their friends and family and we are seeing early signs that they are less likely to leave us for another operator. Red also helps us protect our revenue, with 58% of our European mobile service revenue now in-bundle compared to 51% a year ago, and it reduces the risk to our business from over-the-top services.

We have launched Red family plans, with 0.8 million customers, and have combined Red plans with fixed broadband in some markets.

Simple, worry-free roaming offer

As people travel they want to use their phones and “roam” abroad, therefore we developed an offer that lets customers use their home allowance for a small daily fee, removing any worries about their bills.

These plans are now available in 15 markets and 14 million customers have registered to use these services, accounting for 26% of consumer contract roamers. Customers on these offers use their phone more and generate higher roaming ARPUs than those on standard tariffs.

Delivering an unmatched customer experience

We are modernising around 8,000 of our stores to a new format that enables customers to interact with us in a more engaging way and these stores have been seen to increase transactions by more than 5%. We have already upgraded over 1,100 stores and Project Spring will accelerate our plans to modernise the remaining stores by March 2016.

We are also upgrading our customer service, with all of our call centres across Europe now offering “24/7” service and we have expanded our “self-care” solutions online and on mobile.

4G driving increased data usage and engagement

Although most of our customers are using 2G and 3G services, we are seeing increased demand for 4G services, with 4.7 million customers across 14 markets. 4G is attractive because it offers much faster speeds and a better user experience and as a result our 4G customers use on average twice as much data as our 3G users.

By adding attractive content such as music and sport packages with 4G plans we believe we can drive growth in both data usage and revenue. In the UK for example, 4G plans are generating 18% more ARPU versus comparable 3G plans and customers are using 2.3 times more data.

Mobile devices driving data adoption

The growing popularity of smartphones is supporting data adoption, accounting for 78% of the handsets we sold in Europe last year. This has helped European smartphone penetration grow to 45%.

We sold 2.2 million Vodafone branded smartphones in Europe and beyond during the year, instrumental in stimulating data adoption in low-end contract and prepaid segments.

Fixed and unified communications

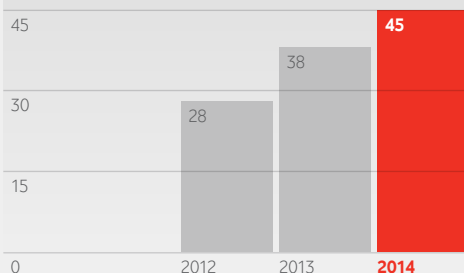
Consumers increasingly want unified communications as they benefit from one plan that includes their fixed and mobile connections and in some cases TV package as well. We already have over 8.5 million fixed broadband customers in Europe and we are increasingly offering mobile and fixed services together. We expect unified communications to become more and more important over time – see page 24 for details on our strategy.

Innovating in mobile payments

As part of our drive for innovation we are developing services which allow our customers to use their smartphones to pay for goods and services, using our secure network. During the year we launched Vodafone Wallet in Germany and Spain.

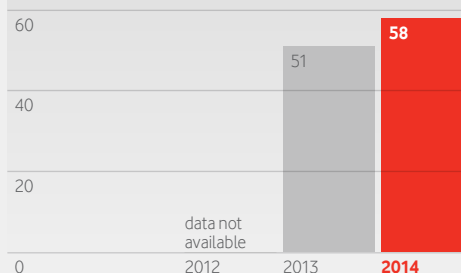
European smartphone penetration

%



% of European mobile service revenue in-bundle

%



500MB

The average data usage on a smartphone is now around 500MB per month compared to around 350MB a year ago¹



Transforming the retail experience

We are updating our stores into a common and consistent store concept. Each of our transformed stores now have a simple design allowing each store to run different promotions and host a “top 10” table with live devices, on-site “Tech Expert” support who can transfer customers’ data from their old phones to their new ones. At the same time we are retraining our staff to better serve customers.



An easier way to pay

“Contactless” payments are becoming an increasingly popular way to pay for small value transactions. We have created the Vodafone Wallet to leverage this opportunity, which allows you to pay for anything with your phone. It digitises everything in your wallet: payment cards, loyalty cards, tickets or coupons. We launched the first commercial wallet in Spain, ahead of our competitors and built the first mobile wallet in Europe, based entirely on industry standards.

Extending our reach through partner markets

Through relationships with other mobile operators around the world we have extended our reach to a further 48 countries stretching from Chile to Russia, Iceland to Brazil. These markets extend our mobile reach beyond our own mobile operations and support the global access to our services which our customers have come to expect from us.



Note:

1 Android and iOS devices.