

Our strategy (continued)

Consumer Emerging Markets

It's easy to think of Vodafone as simply a European company, with its headquarters in the UK, but the reality is that one third of our revenue comes from countries outside Europe and most of this is in fast-growing emerging markets where data demand is taking off.

Context

- Our main emerging markets are India, South Africa, Turkey, Egypt, Ghana, Kenya, Qatar, Tanzania and several other southern African countries.
- They provide strong growth opportunities due to fast economic growth, young and rising populations, and low and increasing mobile penetration.
- The demand for mobile data in emerging markets is beginning to take off, in part due to the lack of alternative fixed broadband infrastructure.
- There is significant scope for newer revenue streams, such as mobile money transfer as many people in these markets have little or no access to banking services.

Where we are going

We are aiming to drive continued growth in emerging markets through a differentiation-based strategy of being the "best", by:

- increasing and enhancing our base stations sites to improve voice and data quality and coverage;
- extending fibre to enterprise customers to meet the expected demand for unified communications services;
- expanding the branded store footprint to enhance customer service; and
- expanding our leading money transfer service, M-Pesa. The goal is for it to deliver a growing proportion of our emerging market service revenue.

Driving the mobile penetration opportunity

The number of customers in our emerging markets has grown steadily and rapidly from 185 million, 57% of the Group total three years ago, to around 302 million, representing 70% of the total today. This has been driven by fast economic growth and rising populations. In our largest emerging market, India, the proportion of the 1.2 billion population with a mobile, commonly known as mobile penetration, is still only 78%, so we expect to see a lot more growth going forward.

We have invested significantly in our emerging markets to support and drive this growth opportunity. We have expanded network coverage by 8% to 161,500 base station sites, providing us with significant scale and broad coverage. We have increased the range of low cost Vodafone branded devices, enabling more people on low incomes to access mobile services. We have also lowered the cost of calls, with prices as low as one US cent per minute in India, which, along with greater network coverage, has helped drive growth in both the number users and mobile usage.

The data opportunity

While mobile data usage to browse the internet or watch videos is increasingly common in Europe, it is still at an early stage in emerging markets. However, it is expanding quickly due to the growth in customers and also the greater range and affordability of handsets. In India, for example, the number of data users increased by 13 million to 52 million over the course of last year. In Turkey, we now have 6.5 million smartphone users, up from 3.1 million only two years ago. Outside South Africa, in our smaller southern African markets of Tanzania, Lesotho, Mozambique and the DRC, the number of data customers increased 86% to 7.7 million taking the total active data customer base to 30% of total customers.

Enhancing distribution

Our distribution footprint in emerging markets consists of a range of branded stores, franchised shops and small independent retail recharging units. We have modernised over 250 stores in these markets and we are targeting to reach over 2,300 by 2016. Our branded stores are very attractive to customers wanting higher end smartphones or monthly contract plans. In Egypt 95% of new contract customers come to us through branded stores. In India we have the largest footprint of 1.7 million point of sale sites for top-ups, significantly more than our nearest competitor, and to cater for our female customers we are opening a number of new "Angel" stores, which are run and managed exclusively by women.

Increasing access to mobile financial services

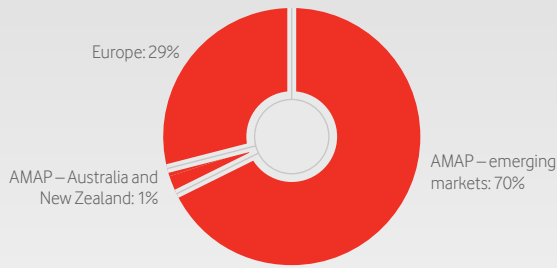
Our Vodafone money transfer service, or M-Pesa as it is more commonly known, enables people who have a standard mobile phone, but with limited or no access to a bank account, to send and receive money person to person, top-up airtime, make bill payments, and in conjunction with the Commercial Bank of Africa to save and also receive short-term loans.

We now have over 17 million active M-Pesa customers, an increase of 18% over last year. During the year we launched in several new emerging markets – India, Egypt, Lesotho and Mozambique. In India the service has now launched nationwide. Across the M-Pesa footprint, we have over 200,000 active agents and M-Pesa processed 2.8 billion transactions (up 27% year-on-year). The service is expected to deliver a growing proportion of our emerging market revenue over the next few years. Besides providing additional revenue streams, M-Pesa also keeps customers on our networks, which reduces the proportion of customers that leave, commonly known as churn.

We continue to innovate M-Pesa, with the introduction of services such as Lipa Na M-Pesa, a retail payment proposition for consumers, and the expansion of international money transfer propositions. In March 2014 we launched the service in our first European market, Romania.

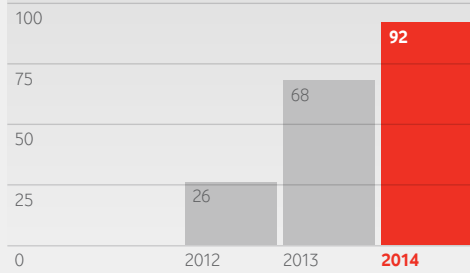
Mobile customers

%



Data users in emerging markets

million



17m

17 million M-Pesa active customers, up from 14 million in 2013

M-Pesa in Tanzania

The cost of travel prevents many people seeking the medical care they need. A local NGO, the Comprehensive Community Based Rehabilitation in Tanzania (CCBRT), is working with the Vodafone Foundation to address this by integrating M-Pesa into its referral process, to ensure patients suffering from obstetric fistula get to hospital.

In 2013, 70% of CCBRT's fistula patients came via the M-Pesa "Text to Treatment" initiative. This project is one of the world's largest fistula repair programmes.



Data usage in South Africa

In South Africa we're investing in newer revenue streams such as data by driving smartphone adoption and enhancing the network. During the year we supported a 24% increase in the number of active smartphones and tablets, taking the total to eight million devices. Average monthly smartphone usage increased 82% to 253MB per device and grew 25% to 743MB on tablets. We supported this growth by investing in our market-leading data network. 74% of our base stations are fitted with high capacity fibre transmission, and we can now provide 3G services to 92% of the population. We're also ready for the future, with 4G coverage of 20% of the population today.



Egypt's literacy programme

Vodafone Egypt Foundation launched an accredited mobile literacy app in 2013, which forms part of its Knowledge is Power initiative, supporting national efforts to tackle adult illiteracy. The app uses pictures and a talkback function to make learning easier and more flexible. The Knowledge is Power programme uses classroom and mobile learning to improve literacy skills – to date 187,000 people have enrolled.