Vodafone and Europe:
Investing for the future

Contents

'Vodafone and Europe: Investing for the future' has been produced by Vodafone Group with assistance from KPMG LLP ("KPMG"). KPMG supported the development of this report and produced the economic analysis contained within it – including the assessment of Vodafone's contribution to the EU in terms of Gross Value Added, employment and investment – drawing on data gathered from Vodafone's local EU operating businesses, Group functions and external sources. Further details of the analysis undertaken are provided in the report itself and the 'KPMG key notes and assumptions' section on page 34.

Introduction

Europe was the crucible in which the modern mobile industry first took shape. Today, Europe faces a serious challenge

The first call on the Vodafone network was made in London on 1 January 1985. Thirty years later, mobile and digital communications have transformed the lives of hundreds of millions of Europeans in ways our early pioneers could scarcely have imagined.

Europe was the crucible in which the modern mobile industry first took shape. Within a decade of that mobile phone call in London, Europe's largest networks, services and devices companies had become world leaders, driving technological innovation, enhancing productivity and investing tens of billions of euros in building the digital infrastructure that underpinned European economic performance and public services.

It is a different picture today. Much of the value in our industry is now created across the Atlantic – nine of the top ten largest telecoms and technology companies in the world are based in the United States – or in fast-growing emerging economies, particularly China.

While European citizens' demand for faster and more ubiquitous data connections continues to grow exponentially, the colossal capital expenditure programmes required to meet that demand have proven to be challenging from an investor perspective. Macro-economic decline across much of the eurozone – combined with, in some areas, the consequences of past regulatory policies – has brought about a sharp reduction in return on capital over the last seven years. That has been exacerbated further by market structures which remain fragmented between member states – despite almost 15 years of efforts to establish a single European market in telecommunications – together with the absence of harmonised rules on spectrum, consumer rights, copyright, data protection, cyber security and many other areas critical to operating at scale in a global digital economy.

Europe, therefore, has a serious challenge. A policy environment characterised by ever-diminishing incentives to invest in digital infrastructure is one that could cause great harm to European lives and livelihoods for years to come. That is particularly the case at a time when other regions have identified such investment as integral to long-term growth and are already well-advanced in executing against their plans. There is a pressing need for European decision-makers and the European communications industry to resolve historic disagreements and agree a new way forward; to move away from an environment characterised by short-term retail price measures and towards a new consensus underpinned by considered, long-term industrial strategy designed to stimulate and support billions of euros of investment.

Fortunately, the new European Commission led by President Jean-Claude Juncker has identified as a priority the need to reboot Europe's digital strategy. We welcome the Commission's commitment to bring forward swift and ambitious measures to rebalance policy approaches, pursuing important changes in areas such as content portability, e-commerce and cyber security while renewing focus on the development of robust digital infrastructure. We share the Commission's vision of a connected digital single market that, we hope, will help return Europe to its role as a global digital leader.

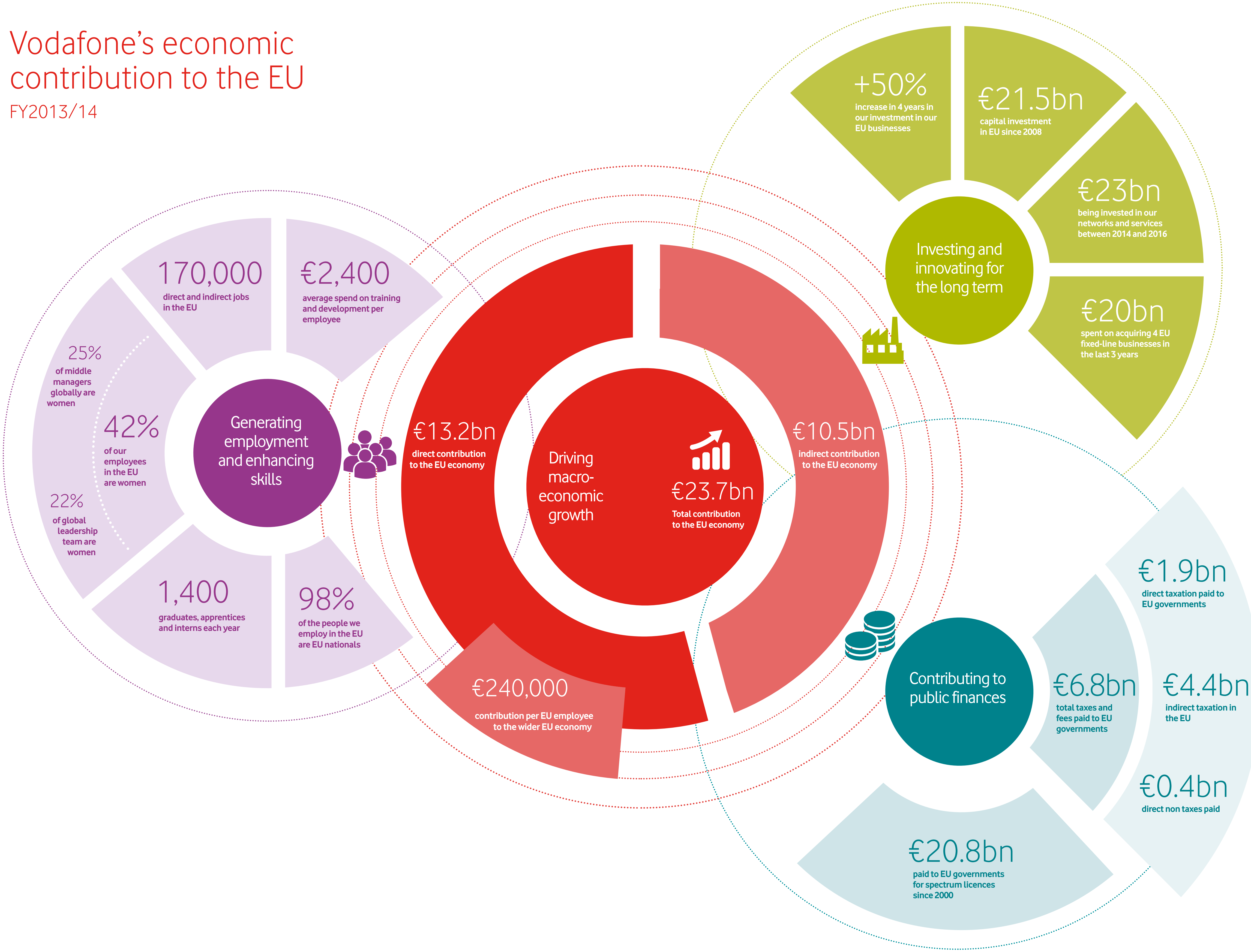
That strategy and vision will need to be informed by accurate and meaningful market information. To that end, we have commissioned – for the first time – an analysis of the direct and indirect economic effects of Vodafone's activities in the 12 EU member states in which we have an operating presence. Europe needs a fair and competitive environment across all communication services. We hope this report will help inform public understanding of matters that are critical to the future prosperity of all Europeans.

Vittorio Colao
Chief Executive, Vodafone Group

Driving macro-economic growth
Generating employment, enhancing skills
Europe's challenge
Vodafone's 12 EU markets

Vodafone's economic contribution to the EU

FY2013/14



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1

Driving macro-economic growth

Introduction to Vodafone

Vodafone was created in Europe, of Europe. In the early 1980s, European leaders demonstrated great foresight in supporting a common approach to interoperable wireless communications across borders. Rapid adoption of the GSM standard in the 1990s made Europe the world leader in mobile communications for two decades.

This – together with the liberalisation of Europe's telecommunications markets in the 1980s and 1990s – helped facilitate Vodafone's expansion across the European Union and beyond, entering markets previously dominated by incumbent operators to offer greater competition and consumer choice.

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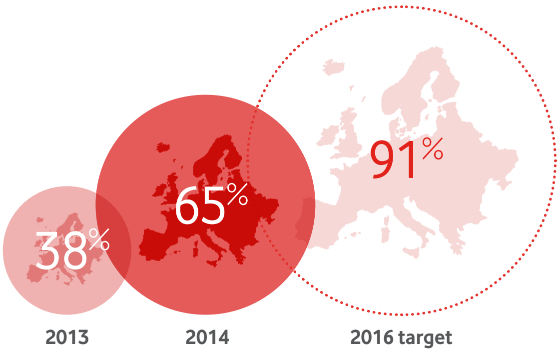
Vodafone's 4G coverage levels in our 12 EU markets



More than **125 million** people in Europe rely on Vodafone's mobile networks and services, including **24 million** business customers

We now operate mobile networks in 12 EU member states: the Czech Republic, Germany, Greece, Hungary, Ireland, Italy, Malta, Netherlands, Portugal, Romania, Spain and the United Kingdom.[1]

Our network and services have contributed to Europe becoming the region with the highest mobile penetration rate in the world at 78% at the end of 2014, higher than the United States at 72% and markedly higher than the global average of 50%.[2]

The number of individual subscribers to mobile services in Europe stood at 579 million at the end of 2014, up from 354 million in 2004.[3] More than 125 million of these are Vodafone customers, including 24 million business customers.

We continue to expand our mobile networks across Europe. Our 4G services now reach 65%[4] of the population across the 12 member states in which we operate, up from 38% a year ago.

In parallel, data consumption on our networks continues to increase rapidly. 4G now accounts for 26% of all data traffic in our European markets compared to 17% a year ago.

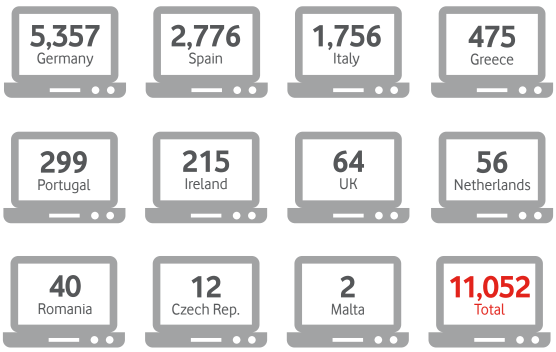
Number of Vodafone mobile customers by EU market (000s)

Q3 FY2014/15

1. References to our European markets in Vodafone financial results statements include our 12 EU countries of operation and Albania. As this study examines our economic impact in the 12 EU countries in which we operate mobile networks, Albania is not included in the analysis
2. GSMA Intelligence data, Market Penetration, unique subscribers, Q4 2014
3. GSMA Intelligence data, European unique mobile subscribers, Q2 2004 to Q4 2014
4. Based on delivering speeds greater than 1 Mbps outdoors

Number of Vodafone fixed-line broadband customers by EU market (000s)

Q3 FY2014/15



We spent **€20 billion** acquiring fixed-line broadband businesses in Germany, Spain, UK and Greece in the last three years

€20.3 billion is added to the European economy from the migration of 10% of 2G customers to 3G

We have also expanded far beyond our roots in mobile. In the last three years alone, we have paid almost €20 billion to acquire fixed-line broadband businesses in Germany (Kabel Deutschland), Spain (Ono), the UK (Cable & Wireless Worldwide) and Greece (Hellas Online). We now provide fixed-line services to over 11 million homes and businesses across 11 of the 12 member states in which we operate and have grown to become the third largest fixed-line broadband provider in Western Europe. Our European fixed-line operations are a €7 billion a year business in their own right, accounting for slightly under 25% of our total European service revenues.

We are also building high-speed fibre-optic networks in Spain, Portugal, Italy and Ireland to connect nearly 11 million more households and businesses over the next two to three years. All of these activities will help achieve the European Commission's ambition for 50% of Europeans to be subscribed to broadband services above 100 megabits per second (Mbps) by 2020.[5]

Our future in Europe lies in convergence: bringing mobile and fixed-line together to provide households and businesses with content, services and applications integrated across multiple networks and multiple devices.

Transforming businesses and public services

Europe's digital infrastructure is critical to economic performance and social development. European citizens increasingly depend on robust mobile and fixed-line networks to manage their daily lives; Europe's businesses risk exclusion from global markets without ubiquitous high-speed access to data; and our public services rely on digital communications networks to operate efficiently. Underinvestment in the digital infrastructure required could harm prospects for prosperity in Europe for an entire generation to come.

The benefits are as clear as the risks. A recent study found that the migration of 10% of existing 2G customers to 3G increases GDP per capita by 0.15 percentage points, equivalent to adding around €20.3 billion to the European economy.[6] The same study also estimates that a doubling of the amount of mobile data used by each 3G connection leads to an increase in the GDP per capita growth rate of 0.5 percentage points per annum. A further study suggests that a 10% increase in broadband penetration increases GDP per capita by 1-1.5%.[7]

Furthermore, there are a number of emerging industrial sectors in Europe which would cease to be viable without widespread access to next-generation data networks. For example, the European app development sector now generates around €12 billion in revenues[8] and the European public cloud sector generates almost €11 billion a year.[9] Neither could exist without digital communications networks to connect to customers. The latter is particularly significant: the European Commission estimates that expansion and adoption of public cloud services could support the creation of 400,000 new small and medium sized enterprises (SMEs) supporting 3.4 million new jobs, adding up to €940 billion to EU GDP by 2020.[10]

5. https://ec.europa.eu/digital-agenda/en/broadband-strategy-policy
6. Cisco, Deloitte, GSMA,' What is the impact of mobile telephony on economic growth?', November 2012: The estimate of the EU wide GDP impact has been derived using 2013 GDP figures for the EU 28 sourced from Eurostat. See: http://gsma.com/publicpolicy/wp-content/uploads/2012/11/gsma-deloitte-impact-mobile-telephony-economic-growth.pdf
7. https://ec.europa.eu/digital-agenda/en/broadband-strategy-policy
8. Vision Mobile, The European App Economy 2014. See: http://visionmobile.com/product/european-app-economy-2014/
9. IDC, The demand of Cloud Computing in Europe: drivers, barriers, market estimates, 2013
10. European Commission estimates April 2014. See: http://ec.europa.eu/dgs/connect/en/content/software-services-cloud-european-cloud-computing-strategy

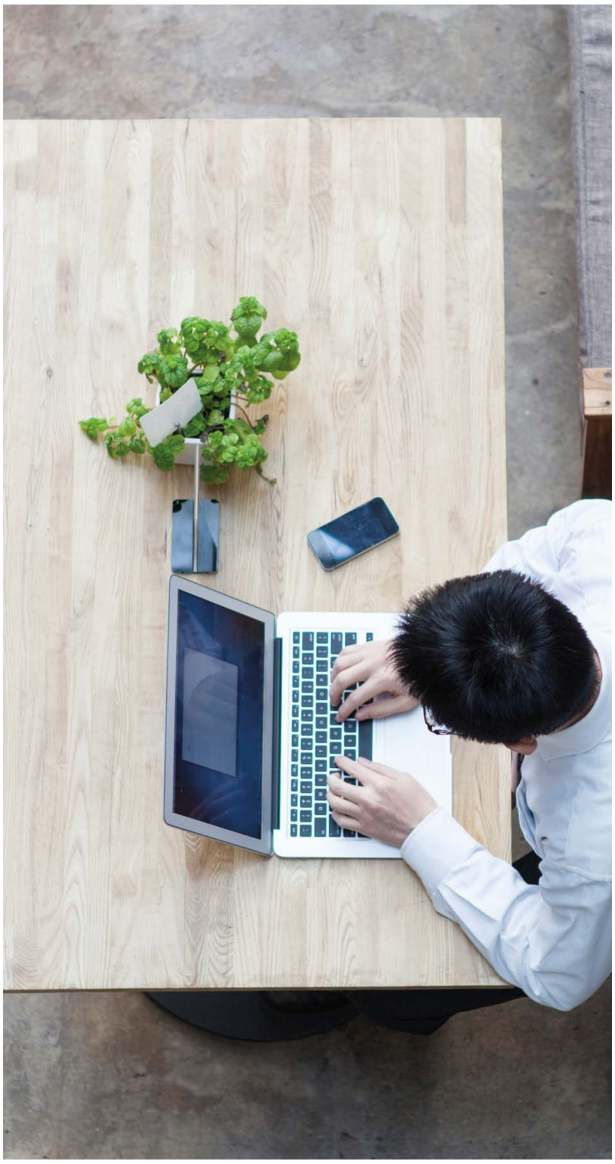
SMEs account for the vast majority of employment and wealth creation in Europe. Many have suffered greatly as a consequence of the global financial crisis. In 2013, we conducted a comprehensive six-country survey[11] to establish the extent to which Europe's SMEs were taking advantage of, and benefiting from, access to next-generation mobile networks. 80% of 1,700 EU SME respondents said that communications and information technology had now become fundamental to their business and 81% said that smartphones and tablets were increasing their productivity levels.

The emergence of the 'Internet of Things' – a new world of intelligent devices interconnected using Machine-to-Machine (M2M) technologies and deployed in a wide range of industrial and domestic applications – also presents an important growth opportunity for European economies. The number of M2M-enabled devices deployed worldwide is predicted to reach more than 25 billion by the end of the decade, more than double the number in use today.[13]

Over time, M2M will transform almost every aspect of our lives, from driverless cars to sophisticated home-care patient monitoring systems which reduce pressure on hospital beds. The users of these new services will rely completely on pervasive access to high-speed communications networks: 84% of respondents in our 2014 M2M Adoption Barometer survey[14] told us that access to 4G networks was an important factor in developing their M2M service.

Vodafone is considered to be the world's leading global provider of mobile M2M services.[15] We manage more than 20 million mobile M2M connections worldwide for businesses in sectors ranging from automotive and utilities, to pharmaceuticals and logistics. For example, we work with leading European "connected car" manufacturers including Audi, BMW, Porsche and Volkswagen to embed Vodafone equipment in new M2M-enabled vehicles which will automatically connect to data networks in any country. Our M2M technology is used to provide next-generation sat nav and geo-location services, streamed entertainment and remote engine monitoring. It will also enable manufacturers to meet future automotive regulatory requirements such as automated calls to the emergency services in the event of an accident.

Much of the innovation behind these new technologies is happening in Europe; a trend that we expect to increase further as a result of our acquisition, in 2014, of the specialist Italian automotive technologies group, Cobra.

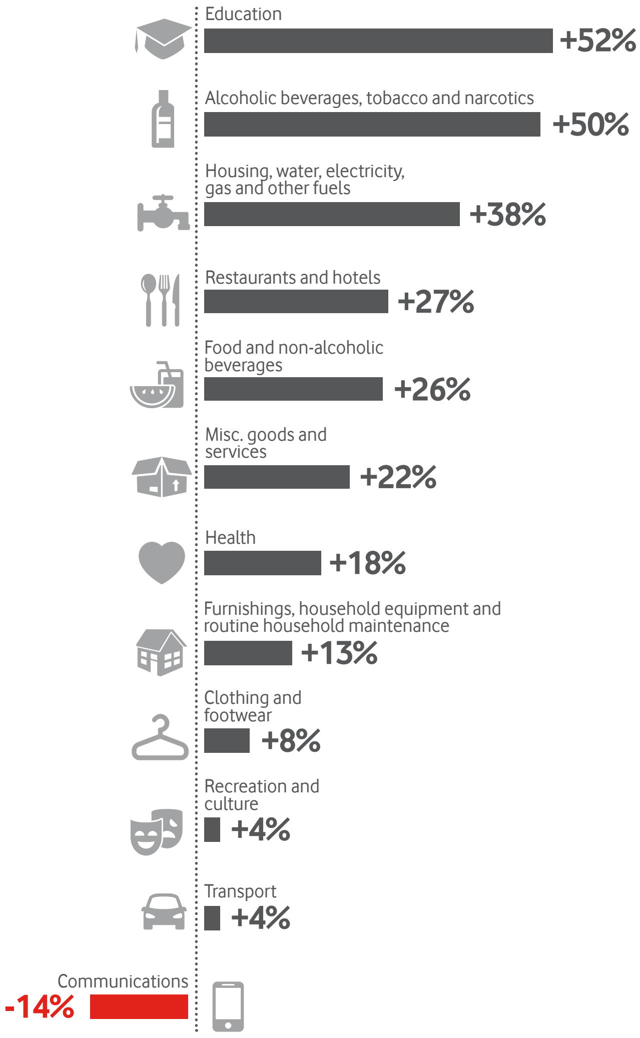


SMEs' views of the benefits of mobility[12]

Improved employee communications/collaborations	70%
Increased efficiency	78%
Fast decision making/agility	78%
Ability to work as effectively out of office	82%
Better customer service	88%

11. Vodafone, The Connected Future for SMEs. See: http://www.vodafone.com/content/dam/group/media/downloads/A597-Vodafone-SME-digitisation-paper-final.pdf
12. Top five benefits reported. Research undertaken by Circle Research on behalf of Vodafone covering six EU markets (Germany, UK, Spain, Republic of Ireland, Czech Republic and Italy). Online survey of 1,700 SMEs of all sizes, supplemented by a number of in-depth telephone interviews with senior decision-makers involved in the use of technology in their business. Vodafone, The Connected Future for SMEs
13. GSMA, The Mobile Economy 2014. See: http://gsmamobileeconomy.com
14. The M2M Adoption Barometer 2014, Vodafone. See: https://m2m.vodafone.com/barometer2014
15. https://machinaresearch.com/news/press-release-m2m-csp-benchmarking-report-2014-globalisation-strategic-reinvention-and-a-gradual-move-towards-iot-are-the-key-themes-and-vodafone-retains-top-spot/ http://m2m.vodafone.com/cs/m2m/insight_news/2014-11-06-vodafone-recognised-as-a-leader-in-first-gartner-magic-quadrant-for-managed-m2m-services.jsp and https://m2m.vodafone.com/cs/m2m/insight_news/2013-03-12-analysys_masons_m2m_scorecard_for_communications_service_providers.jsp

Percentage change in prices for consumer goods[17]
2005 - 2014



Investing and innovating for the long term

Critical infrastructure requires serious investment. We have committed €21.5 billion[16] in capital investment in Europe over the last five years, in addition to the almost €20 billion spent on acquiring European fixed-line businesses in just the last three years, as described on page 6. Notably, we increased our level of capital expenditure in Europe throughout some of the worst years of the global financial crisis. Annual investment in growing our businesses in Europe increased by 50% between 2009/10 and 2013/14, to reach €5.12 billion in the 2013/14 financial year. In 2013/14, we also invested a further €680 million in our EU-based corporate functions.

We have made these significant investments despite falling revenues and significantly declining profits across our European business; average prices paid by European consumers for communications services have fallen by more than 14% since 2005.[18] This contrasts starkly with all other categories monitored for consumer price movements by Eurostat. For example, over the same nine-year period, average prices for clothing and footwear increased by 8% and food and non-alcoholic beverages increased by 26%; sectors which are not typically characterised by the large capital expenditure required to develop digital infrastructure.

Meanwhile, European demand for high-speed data connectivity continues to grow at an exponential rate. Vodafone customers who move to 4G from 3G increase their data consumption by an average of 130%; in the last year, the total volume of data carried across our European mobile networks increased by 67%. This trend is set to accelerate further as smartphone penetration and 4G coverage increases across Europe; 68% of our European contract customers now use smartphones and 10 million customers are on 4G plans.

As a consequence of this appetite for high-bandwidth content – particularly video – applications and services, mobile and fixed-line operators expect the volume of data carried on their networks to increase by almost 470% between 2014 and 2018,[19] as the graph on page 9 demonstrates.

Investment in growing our business in Europe has increased by 50% over the last four years to reach **€5.12 billion**

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16. This figure includes the capex of Vodafone's operating company in Albania and is based on 100% ownership of the Italian operating company over the 5 year period. Ownership of Vodafone Italy increased from 77% to 100% in September 2013 – the equivalent capex number with Italy at 77% ownership is €20.7bn

17. Eurostat – harmonised indices of consumer prices, monthly data for 2005 - 2014 inclusive. See:http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_midx&lang=en
18. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_midx&lang=en
19. Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update 2013-2018.

To provide our customers with the best possible experience and to meet this growing demand, in 2014 we launched Project Spring, the largest and fastest network investment programme in our 30-year history. Over a two-year period to March 2016, we are investing a total of €23 billion to extend and enhance the networks and services relied upon by our customers. Most of this capital expenditure is focused on Europe. We will grow our 4G networks from current coverage levels equivalent to 65% of the total population in our 12 EU markets to reach 91% during 2016. This highly complex and capital-intensive network expansion programme will increase the number of European 4G sites we operate to more than 80,000. Our investment in high-speed fibre optic broadband in Europe also forms a key part of Project Spring.

Network innovation

The next stage of 4G expansion is 4G+, also known as 4G carrier aggregation or LTE Advanced. By bonding together multiple spectrum blocks, 4G+ can increase mobile data speeds and performance significantly. We can offer our customers a mobile data connection that is up to twice as fast as current 4G services, 20 times faster than standard 3G and eight times faster than typical fixed-line broadband connections over copper DSL. We are now deploying 4G+ services in eight EU countries.[21]

We are investing €23 billion between 2014 and 2016 in our networks and services

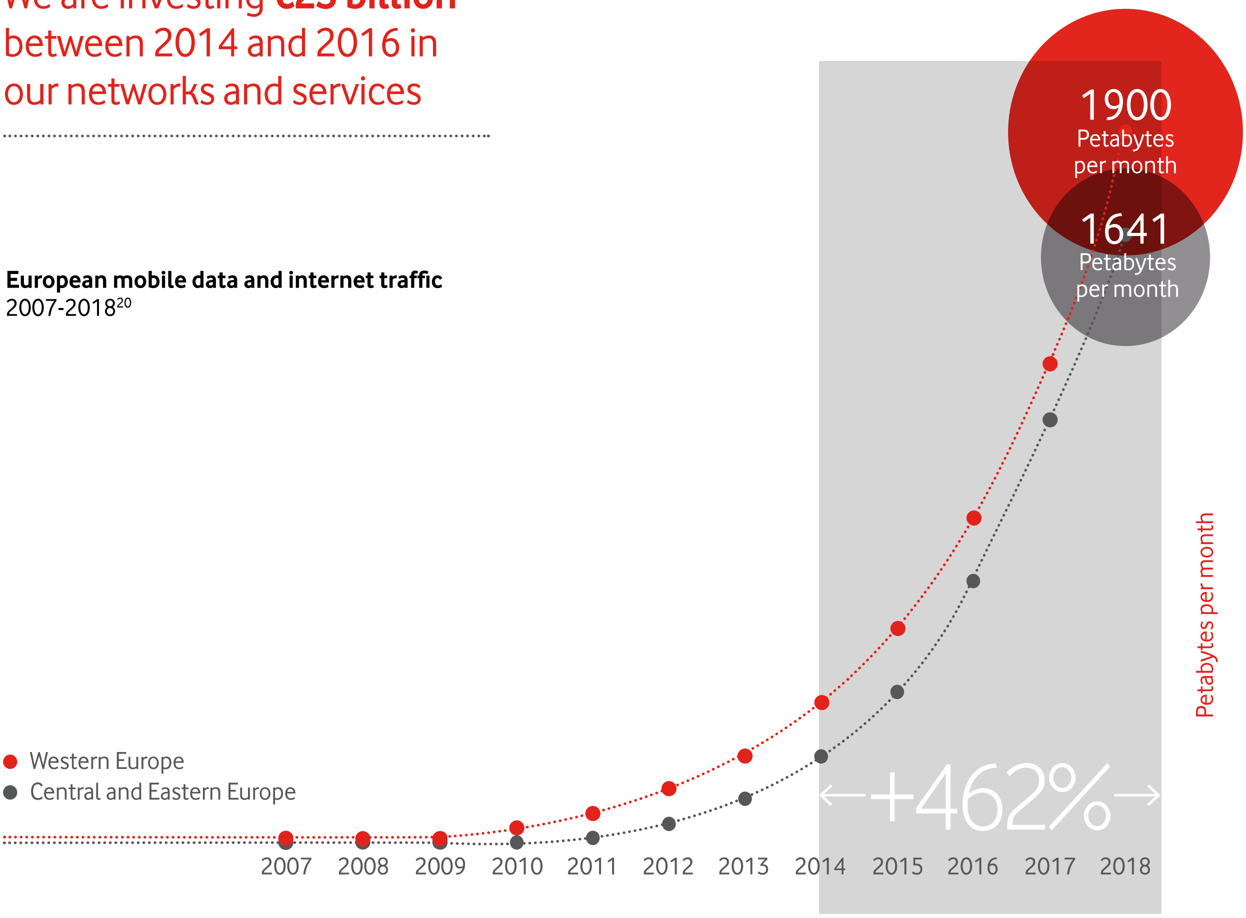
High Definition (HD) Voice is another new mobile technology which provides customers with crystal-clear audio quality when they make a call. We have launched HD Voice services in nine EU countries so far.[22]

Voice over LTE (VoLTE) services enable customers to make HD voice calls while simultaneously using 4G data, for example to access mobile maps while giving someone directions over the phone. We are developing VoLTE services in Germany, Italy, Portugal, Spain and the UK with other countries to follow in 2016.

We also enable our customers to use 4G services abroad through our roaming agreements in 45 countries; more than any other operator in Europe or Asia.

Much of the current innovation in mobile technology is to be found in the network. For example, we are using "small cell" technologies – miniature 4G/Wi-Fi equipment fitted within street furniture and inside buildings – to provide enhanced voice and data coverage in dense urban areas. Following trials in the Netherlands and Germany, small cells are now being deployed in six of our EU markets.[23] In December 2014, we announced a global agreement with JCDecaux, the world's leading outdoor advertising company, to deploy small cells on street furniture and billboards.

European mobile data and internet traffic
2007-2018[20]



20. Analysis based on mobile and internet traffic data provided by Cisco
21. Czech Republic, Ireland, Italy, Netherlands, Portugal, Romania, Spain and UK
22. Germany, Hungary, Ireland, Italy, Netherlands, Portugal, Romania, Spain, UK
23. Hungary, Ireland, Italy, Netherlands, Portugal and Spain

The mobile industry is constantly evolving. Vodafone is playing a leading role in researching and developing the next generation of wireless communications – 5G – through our support for the 5G Innovation Centre at the University of Surrey, our work with King's College, London in the UK, our partnership with the 5G Lab at Dresden University of Technology in Germany and our work with Carnegie Mellon University in the United States.

While 5G technology is still in the early stages of development, researchers believe it will radically enhance not just the speed but also the resilience and intelligence of future mobile networks once deployed, from the end of this decade onwards. This could create new opportunities for European businesses in a wide range of sectors to deliver services relying on near-instantaneous response times – qualities critical for applications such as remote surgery or autonomous cars. Often referred to as the "tactile internet", such new innovations will need 5G networks in order to evolve.

Although further research and development is required to validate the technology and the concepts underpinning 5G, the European Commission has already recognised that the European mobile industry will play a crucial role in developing the next generation of wireless communications. The Commission also recognises that strategies to ensure Europe leads in 5G development would help drive greater economic growth and create jobs.[24]

The Commission is investing €700 million in research and innovation for 5G through its Horizon 2020 programme and has begun to assess which spectrum bands would be the most effective in maximising the capabilities of 5G.[25] We believe our work with our academic and industry partners will play an important role in helping Europe adopt a leadership position in the development of these new technologies.

We are playing a leading role in researching and developing the next generation of wireless communications – 5G – which will drive greater economic growth and create jobs

24. http://ec.europa.eu/digital-agenda/en/towards-5g
25. http://ec.europa.eu/digital-agenda/en/news/eu-workshop-spectrum-planning-5g

Our overall contribution to Europe's economy

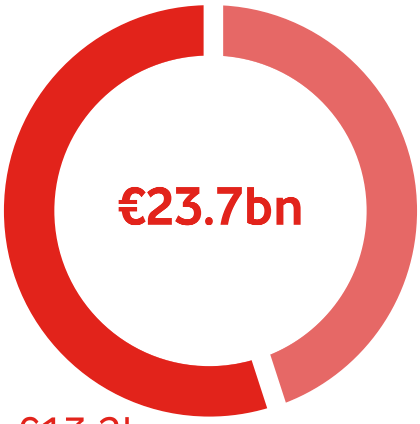
Vodafone's substantial operations and investments in Europe have a wider positive impact on the EU economy as a whole. Our digital networks and services enable businesses to enhance productivity and competitiveness and help public institutions enhance efficiency in delivering public services. We also provide a powerful competitive counterbalance to incumbent operators – typically former state monopoly telecommunications providers which remain dominant in fixed-line markets and, in most countries, also have a strong position in mobile markets – stimulating greater innovation and value for customers.

Furthermore:

- we are a major purchaser of goods and services from European suppliers;
- we generate substantial and skilled employment within our own workforce and those of our suppliers; and
- we are a significant source of funding for public services through taxation and other government revenue-raising mechanisms.

Gross Value Added (GVA) is the measurement of the contribution to the economy of an individual producer, industry or sector. It estimates the difference between the value of the goods and services produced and the cost of the inputs – such as raw materials – used to create those goods and services. GVA is used to estimate Gross Domestic Product (GDP) which is a key indicator of the state of the economy.

Total Vodafone contribution to the EU economy FY2013/14



Vodafone's direct GVA contribution to the EU economy as a whole is estimated at €13.2 billion in the 2013/14 financial year.

In addition to our substantial direct economic contribution, we also indirectly contribute to EU economic activity through the inputs we purchase from our European suppliers. In 2013/14, we spent approximately €2.5 billion with European suppliers. Our suppliers generate additional economic output and employment and, in turn, generate additional demand for goods and services down through their own supply chains.

Our indirect economic contribution through the supply chain is estimated at €10.5 billion in the 2013/14 financial year.[26]

For every €1 we add to the EU economy directly, we generate just under another €1 indirectly through purchasing goods and services from European suppliers.

Our total contribution to the EU economy – combining direct and indirect effects – is estimated at €23.7 billion in 2013/14.[27]

This is a conservative view of our overall economic contribution. We have not included any assumptions regarding "induced" economic impacts arising from our activities.[28] Induced effects arise through our employees – and the employees of our suppliers – spending a share of the additional income generated through their work for Vodafone on the consumption of goods and services in the wider economy.

Furthermore, our products and services have a much broader impact on economic growth as they help businesses enhance productivity and support innovation and the development of new products and services. We have not sought to quantify these impacts in this report. For context, the GSMA has estimated that the total global GDP impact from the mobile industry as a whole – including network operators, infrastructure providers, support services, device manufacturers, distributors and retailers and content and services developers – was approximately $2.4 trillion (3.6% of global GDP) in 2013.[29]

Our total contribution to the EU economy – combining direct and indirect effects – is estimated at €23.7 billion in 2013/14

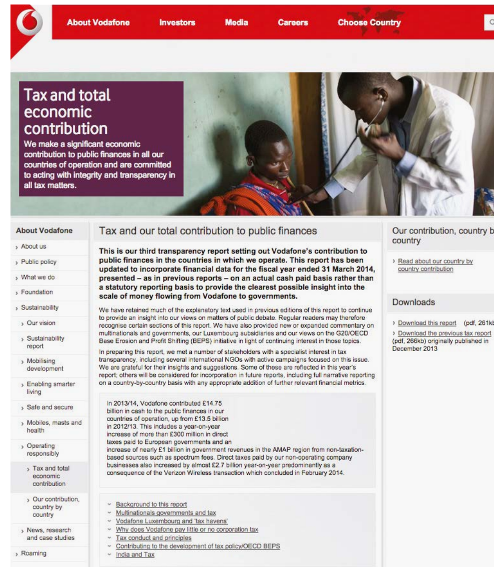
26. Vodafone's indirect economic contribution (in terms of GVA) is estimated using multipliers for the European telecommunications market, generated from analytical input-output tables at the 64 industry classification level available from Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/esa95_supply_use_input_tables/data/workbooks
27. The total contribution is the sum of the direct value that Vodafone adds to the economy (€13.2 billion), as well as the indirect value that is added through the supply chain (€10.5 billion).
28. The calculation of economic multipliers which capture induced effects implicitly assume that final consumers do not change their final consumption patterns in response to changes in income. As noted by the UK Office of National Statistics (ONS) this assumption is very unrealistic. This is one of the reasons that the ONS does not calculate these multipliers. See: ONS, United Kingdom input-output analytical tables 2010
29. GSMA, The Mobile Economy 2014. See http://gsmamobileeconomy.com

Contributing to public finances

As a major European investor, operator, purchaser and employer, we have an important role to play in driving economic growth in our 12 EU countries of operation.

We also make an important contribution to EU public finances through our payment of a wide range of taxes, as well as through the monies passed from Vodafone to governments by means of non-taxation-based revenue mechanisms, such as auctions for spectrum licences and regulatory fees.

The amount of tax paid by large companies is a matter of significant public debate and scrutiny. Vodafone is one of very few multinational companies worldwide to make a voluntary disclosure on a country-by-country, actual cash paid basis, including details and explanations of tax payments and key taxation matters. We publish these details annually and our latest report can be found at www.vodafone.com/sustainability/tax2014.



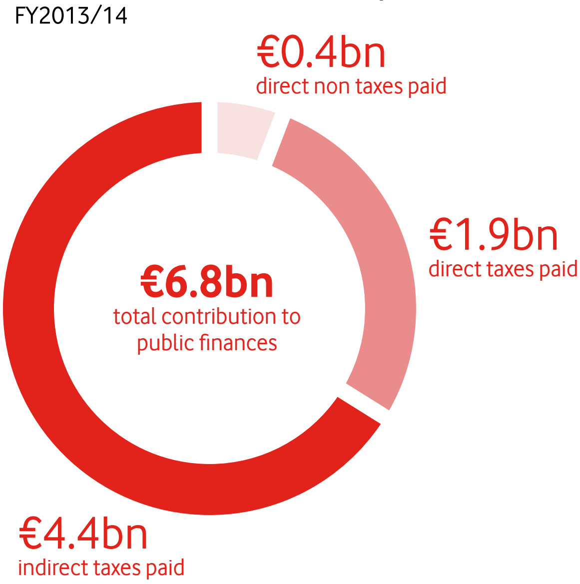
Our direct tax payments to governments totalled **€1.9 billion** across our 12 EU markets in 2013/14

We pay all taxes due under the law in all our countries of operation: in 2013/14, our direct tax payments to governments totalled €1.9 billion across our 12 EU countries of operation. This includes a year-on-year increase of more than €385 million in direct taxes paid to EU governments.

Taxation is not the only route used by governments to raise revenue from businesses. Governments also use other mechanisms to derive revenues from business activities including a wide range of licensing regimes, revenue or production-sharing agreements and, for communications companies, spectrum access fees and auction proceeds. These additional sources of government revenue are often substantial – sometimes exceeding the monies raised through taxation – and represent a critically important contribution to public finances. It is therefore essential to take those government revenue-raising mechanisms into account when assessing the extent to which a company is playing its part in funding wider civil society. In 2013/14, we paid €226 million to EU governments for spectrum access and other fees, extending the total amount we have paid to EU governments for spectrum since 2000 to €20.8 billion.

Additionally, we make a significant indirect contribution through the taxes paid by our employees and the suppliers that our businesses support, as well as through the taxes that we collect on governments' behalf such as sales taxes and VAT. While these indirect contributions to government revenue are not paid by Vodafone directly, they would not be collected or generated to the same extent if we did not employ people and offer services or products to the customers responsible for paying the tax in question or procure the goods and services from our suppliers on which such taxes are due. In 2013/14, our indirect tax payments to governments exceeded €4.4 billion across our 12 EU countries of operation.

Total Vodafone contribution to EU public finances
FY2013/14



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Our total economic contribution – combining direct taxation, non-taxation government revenues such as spectrum fees and indirect taxation – therefore amounted to almost €6.8 billion in 2013/14.

In the table below, our contributions in our 12 EU countries of operation are reported on an annual actual cash paid basis for each local market as, in our view, this is one of the most meaningful and transparent metrics to consider when assessing a company's tangible role in helping to fund public services. International accounting rules governing the reporting of a multinational company's profit and loss tax liabilities and charges are complex, reflecting a wide range of factors such as deferred taxation, losses, group-level taxation and various provisions related to uncertain tax positions. The cash payments or reliefs arising from those factors may be several years in the future. As a result, there can be a variance between a multinational company's statutory reported numbers over a specific time period – particularly in territories with holding companies as well as a local operating company – and the actual cash paid numbers set out below.

The figures set out in the table below will vary widely from country to country and from year to year as a result of local differences between, and annual movements in, factors such as levels of profit and capital investment. There are also wide variations in local taxation regimes and other government revenue-raising mechanisms, many of which change from year to year.

Vodafone remains the only large telecommunications and technology company in the world to provide a detailed analysis of its approach to taxation

Vodafone remains the only large telecommunications and technology company in the world to provide a detailed analysis of its approach to taxation including a breakdown of its contributions on a country-by-country and actual cash paid basis. In November 2014, the international NGO Transparency International (TI) published a report[31] evaluating the extent to which the world's 124 largest publicly listed companies demonstrated a transparent approach to corporate reporting and other disclosures. Vodafone was rated the second most transparent company in the world across all sectors and the global leader in the technology and telecommunications sectors. We were also the only company analysed by TI that scored at least 50% in all three categories of disclosure: anti-corruption programmes; organisational transparency; and country-by-country reporting.

Vodafone's contribution to public finances by country
FY2013/14[30]

	Direct Revenue Contribution: taxation (€m)	Direct Revenue Contribution: other non-tax (€m)	Indirect Revenue Contribution (€m)	Total Contribution (€m)
Czech Republic	12	126	60	**198**
Germany	398	0	1,244	**1,642**
Greece	16	8	201	**225**
Hungary	17	3	110	**130**
Ireland	94	0	84	**178**
Italy	616	0	1,157	**1,773**
Malta	49	3	11	**63**
Netherlands	97	0	231	**328**
Portugal	56	8	136	**200**
Romania	30	177	94	**300**
Spain	108	86	342	**536**
UK	421	29	747	**1,196**
Total	**1,914**	**440**	**4,417**	**6,770**

30. Please note: the table included in this report provides figures in euros. The equivalent table available on the Vodafone Group corporate website provides these figures in sterling, see www.vodafone.com/sustainability/tax2014

31. http://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_worlds_largest_companies_2014

2

Generating employment, enhancing skills

We provide jobs and the potential for a high-skills career path for more than 54,000[32] Vodafone employees across our 12 EU markets. Each of our EU businesses is an important local employer in its own right: our businesses are predominantly run by Europeans, for Europeans, and 98% of the people we employ across our EU operating companies are EU nationals.

Around 42% of our European employees are women; globally, 25% of our middle managers and 22% of our senior international leaders are women. While we believe we have a higher proportion of women in senior roles than many industry peers, in our view this proportion is still too low; we therefore have programmes in place to accelerate the development and promotion of women in our workforce.

32. Employment figures are in Full Time Equivalent (FTE) terms and present the position as at year end FY2013/14. Employment figures presented in the Vodafone Group Annual Report 2014 are average FTEs over FY2013/14

Every year, 1,400 new graduates, apprentices and paid interns are provided with the specialist skills required to operate in the digital economy

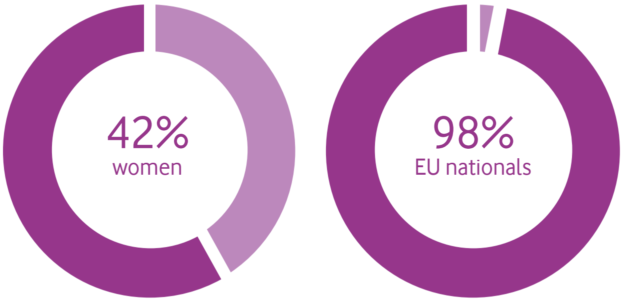
We are also highly diverse in terms of culture and nationality within our international leadership team; markedly more so, in fact, than any other company in our industry. Although Vodafone is UK-domiciled, UK nationals account for less than one-quarter of our top 200 global leadership team. More than half of our global leaders are nationals of other EU member states and a quarter are nationals of emerging market countries. In total across the EU, we employ nationals from 127 different countries.

Youth unemployment is a serious challenge in all European economies. There is a particular paradox in our industry in that while 23% of young Europeans are out of work, it is also estimated that around 900,000 jobs in the European information, communications and technology sectors will be unfilled by 2020 as a consequence of a lack of digital skills in the labour market.[33] According to a 2014 study, the European app development sector alone could employ 4.8 million people by 2018 – up from 1.8 million in 2014 – with the potential to contribute €63 billion to the EU economy.[34]

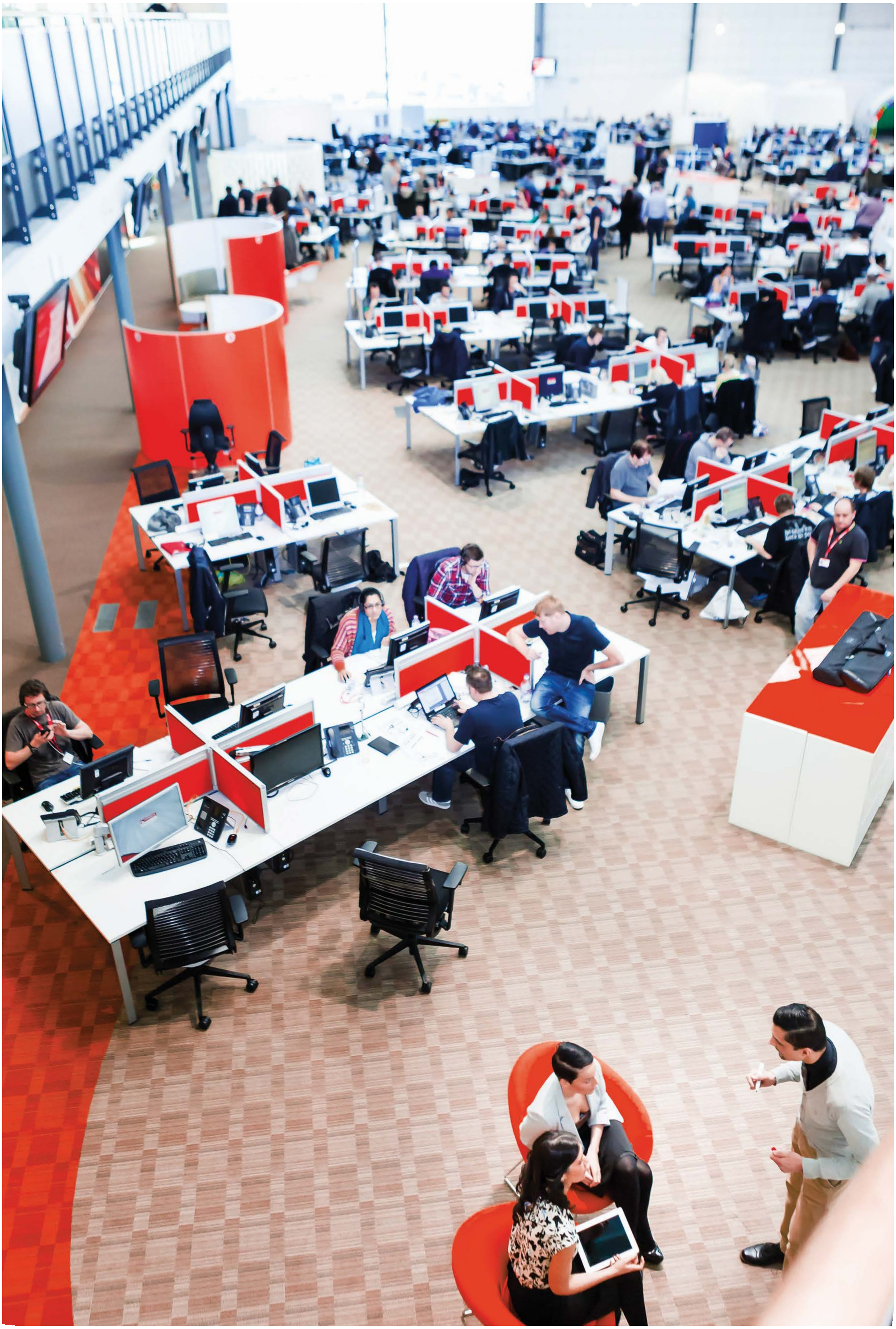
Every year we bring around 1,400 new graduates, apprentices and paid interns into our European businesses to provide young people with the specialist skills required to operate in the digital economy. Many eventually move into permanent employment with Vodafone: those who do not emerge exceptionally well-equipped to compete for employment elsewhere in the industry. Our average annual expenditure on training and development across our European businesses amounts to €2,400 per employee.

Additionally, in December 2014, the Vodafone Foundation entered into a partnership with an internship match-making service, Intern Avenue,[35] which connects thousands of students and graduates with employers offering paid internships. Around 2,000 employers and 40,000 intern applicants are already registered, and the partnership with Vodafone will help to expand the service across Europe.

Vodafone's 54,000 employees across our 12 EU markets
FY2013/14



33. http://europa.eu/rapid/press-release_MEMO-14-338_en.htm
34. http://europa.eu/rapid/press-release_IP-14-145_en.htm
35. www.internavenue.com



For every full time equivalent Vodafone job we generate an average of 2.15 employment opportunities among our suppliers – equivalent to 170,000 total job opportunities

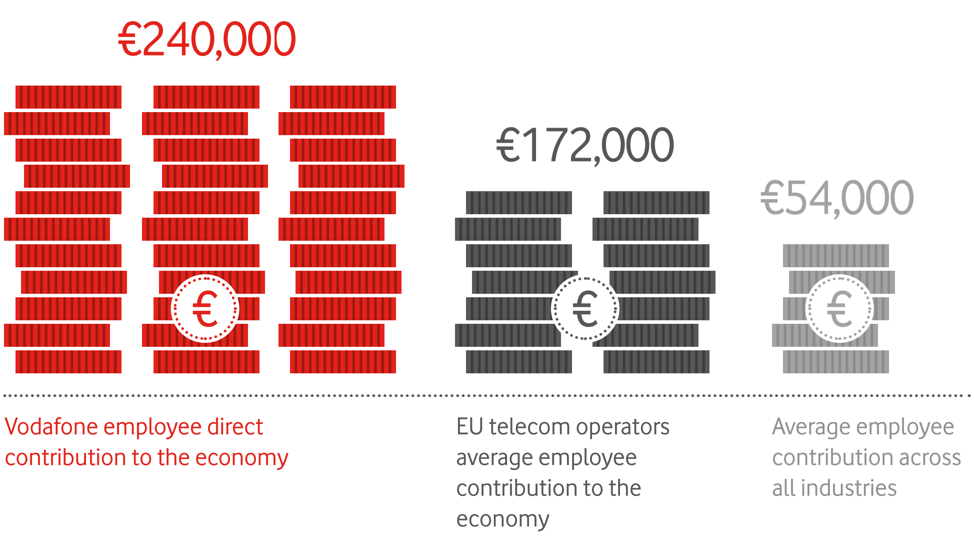
Valued employees, value-adding employment

Many roles within Vodafone require specialist skills. We are fortunate in being able to attract, retain and grow some of the brightest and best talent available in the European labour market and our annual employee surveys regularly reveal a high level of motivation and engagement at all levels within our European businesses.

Our EU employees are also highly productive with a direct economic contribution on a GVA basis[36] of €240,000 per employee. In macro-economic terms, these are significantly value-adding jobs: more than 40% more productive per employee than the European telecommunications industry average and more than four times more productive per employee than the average across all industries in the 12 EU countries in which we operate.[37]

As explained earlier, we are also a significant purchaser of goods and services from our European suppliers and therefore also generate employment indirectly within those companies. The indirect employment we support in our supply chain can be estimated using employment multipliers for the telecommunications sector in each of our 12 EU markets.[38] Much as every €1 we add to the EU economy directly generates just under €1 indirectly through our European supply chain, for every full-time equivalent (FTE) Vodafone job in the EU we generate an average of 2.15 FTE employment opportunities among our European suppliers. This means we generate a total of more than 170,000 FTE employment opportunities across 12 EU countries.

Vodafone employee productivity compared to EU telecoms and industry average across Vodafone's 12 EU markets



Based on Eurostat data, see footnote 37

36. Vodafone's direct Gross Value Added (GVA) contribution in FY13/14 was €13.2 billion. Employee productivity can be assessed by analysing the total GVA contribution on a per FTE employee basis. GVA is the measurement of the contribution to the economy of an individual producer, industry or sector. It estimates the difference between the value of the goods and services produced and the cost of the inputs – such as raw materials – used to create those goods and services. GVA is used to estimate Gross Domestic Product (GDP) which is a key indicator of the state of the economy.

37. Analysis of the average GVA per employee for the EU telecommunications sector and across all industries in the 12 EU markets in which Vodafone operates, is based on GVA and employment data available from Eurostat. See: http://ec.europa.eu/eurostat/data/database

38. These multipliers were generated from analytical input-output tables and employment data at the 64 industry classification available from Eurostat. See: http://epp.eurostat.ec.europa.eu/portal/page/portal/esa95_supply_use_input_tables/data/workbooks

Driving macro-economic growth
Generating employment, enhancing skills
Europe's challenge
Vodafone's 12 EU markets

3

Europe's challenge

The European mobile industry has invested €155 billion in Europe's network infrastructure since 2007 and is predicted to commit a further €170 billion between 2015 and 2020 as operators continue to increase network capacity and expand 4G coverage.[39]

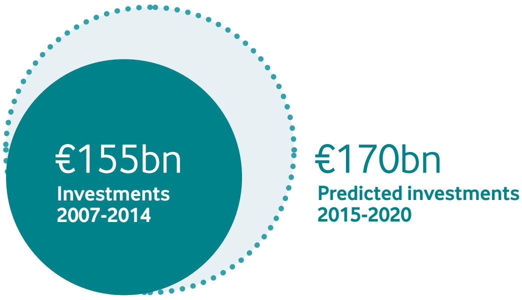
Those enormous investments have a significantly positive macro-economic effect. The annual contribution of the mobile industry to Europe's GDP has been estimated at €433 billion as of 2013. In that same year, the mobile industry also directly employed 1.8 million people across Europe and indirectly supported another 600,000 jobs.[39]

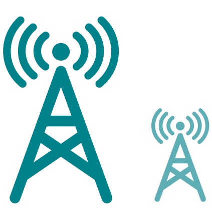
Furthermore, the highest rate of mobile penetration of any region in the world coupled with the rapid adoption of smartphones – expected to reach 577 million in Europe by 2020[40] – and the accelerating availability of fibre-optic connections, are driving radical shifts in working practices and consumer behaviour.

All of these factors create considerable opportunities for Europe and the economy; but there are also meaningful obstacles.

39. GSMA Mobile Economy Europe 2014 http://europe.gsmamobileeconomy.com/GSMA_ME_Europe_2014_read.pdf
40. GSMA Intelligence, Smartphone forecasts and assumptions 2007-2020

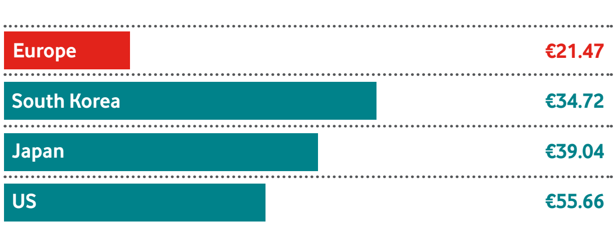
Mobile industry investment in Europe[39]





Average returns per euro invested over the last five years has **fallen by 50%**

Comparison of average revenue per mobile user[44]



A future less certain

Most large infrastructure projects in Europe – such as rail and road networks – are either built by government agencies using funds raised from taxpayers or by private investors who are then recompensed by governments (and, therefore, taxpayers) over several decades.

Conversely, most digital networks are built with no contribution from the taxpayer whatsoever, particularly so in our case, as Vodafone is the only major European communications company that was not previously a state monopoly prior to privatisation.

Investors seek out well-functioning markets where companies can make long-term investments with a high level of confidence that they will generate a reasonable return over time. Unfortunately, Europe has proven to be highly challenging in that respect and in many others.

Meeting rapidly increasing customer demand in Europe has driven higher capital expenditure; over the last decade, capital expenditure as a proportion of revenue for European mobile operators has increased from 13.4% to 19.8%.[41]

At the same time, as explained earlier, the price paid by European consumers for communications has fallen significantly over the past decade, in stark contrast with all other consumer price categories.

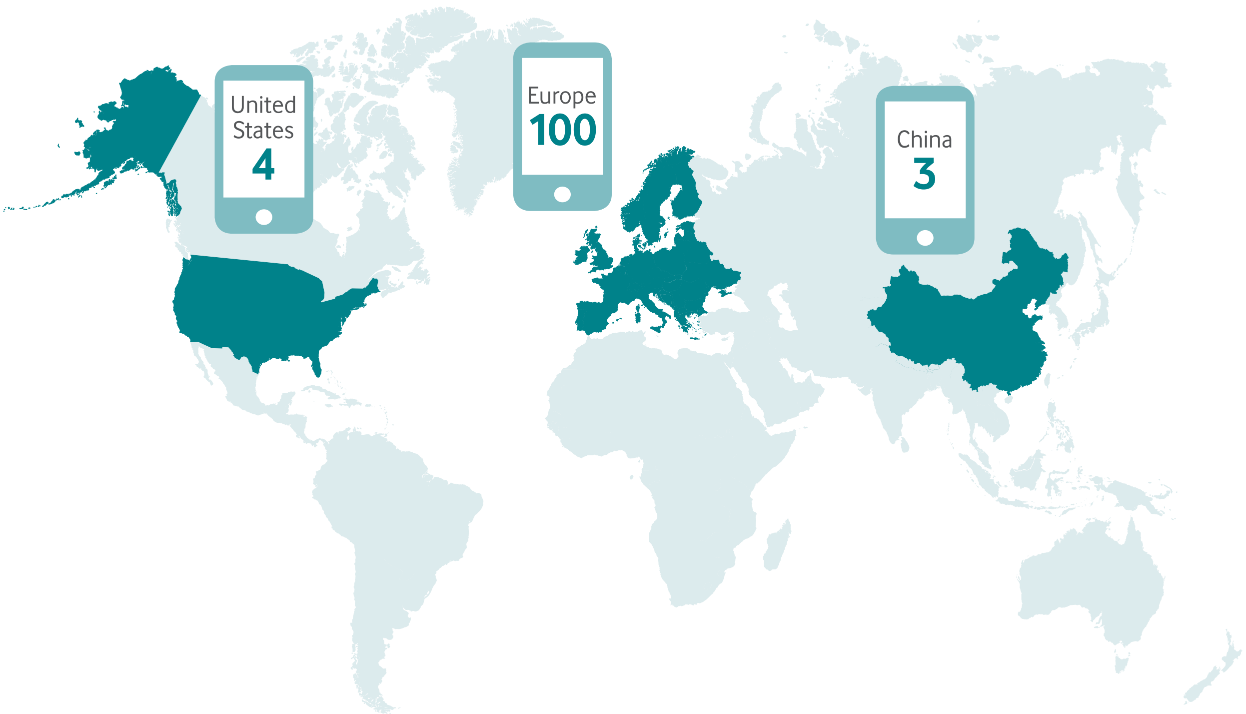
Across the mobile industry as a whole, average revenues per user (ARPU) in Europe have fallen by 23% since the beginning of 2010, from €26.48 to €21.47[42] and, as the comparison below shows, are markedly lower than in other major developed markets.

It is also worth noting that while US customers pay a great deal more than their European peers each month, they also use more and do more: as much as five times the average number of voice minutes in Europe each month and almost double the amount of data.[43]

Overall, among European mobile operators, average return on capital employed has fallen by 50% in the last five years.[45] This is an unsustainable situation that threatens both the long-term health of the telecoms industry and Europe's digital economy as a whole.

41. GSMA Intelligence, European operators capex divided by revenue annual data, Q2 2004 to Q2 2014
42. GSMA Intelligence, ARPU by subscriber Q1 2010 and Q3 2014
43. GSMA Intelligence, Mobile Wireless Performance in the EU & US
44. GSMA Intelligence, ARPU by subscriber, Q3 2014
45. New Street Research, European Telecoms Review, January 2015

Number of major mobile operators



Why has this occurred? While the macro-economic crisis has impacted all sectors, Europe's communications industry is particularly affected by a number of factors.

EU mobile markets are some of the most fragmented in the world. Consumers and businesses in China can choose between three major mobile operators, each of whom has invested in building a network. Similarly, customers in the United States can turn to four major mobile network operators. Europe, however, has more than 100 mobile network operators. While consumers benefit from effective competition at the national level, European operators lose significant economies of scale at the regional level – and, therefore, experience adverse consequences for return on investment – when compared with international peers.

This fragmented market structure is largely a consequence of the views of national competition authorities, many of whom – acknowledging their statutory duty to assess markets on a national basis only – remain unmoved by the concept of a pan-European competitive communications market. That deficiency has been overlaid with European regulatory policies which at times have seemed to favour short-term consumer protection over the long-term citizen interest, championing ever-lower retail prices without stopping to consider the effect of falling revenues on future investment.

It is also telling that despite operating networks in just 12 of the 28 EU member states, Vodafone's EU businesses are overseen by a total of more than 200 European, national and regional regulatory bodies and related organisations. The lack of harmonised, pan-European rules governing matters such as spectrum, consumer rights, copyright, data protection and cyber security undermines progress towards a European digital single market. A wide range of significant cross-border inconsistencies reduce opportunities for European companies to operate cost-effectively at scale when compared with peers in other regions.

Furthermore, over the last decade, a number of member state governments have pursued spectrum allocation policies that favoured short-term revenue-raising over measures to stimulate investment and innovation, leaving mobile operators laden with high levels of costly debt.

If not addressed, the consequences of these factors will continue to have profound implications for the health of Europe's digital infrastructure and, beyond that, the region's future economic performance. If the economies of Europe are to emerge from the end of this decade in a better state than they entered it, the digital infrastructure upon which they rely must become the best in the world. That will require further substantial investments from the private sector and – to provide the incentives required to attract it – a realignment of European policy to support a return to growth in a vitally important industry.

The lack of harmonised, pan-European rules undermines progress towards a European single market

The way ahead

The new European Commission led by President Jean-Claude Juncker has placed creating the conditions for a vibrant digital economy and society at the top of its priority list for Europe.[46]

Vodafone welcomes the new Commission's recognition that fragmentation and national silos in communications regulation and in the application of competition law, have inhibited the development of a digital single market in Europe and that the companies seeking to build the next generation of Europe's digital infrastructure have been held back by the lack of a consistent EU-wide approach.

The Commission has also identified legal and regulatory uncertainty at the member state and pan-EU level as a significant barrier to long-term growth in digital and has acknowledged the impact of high compliance costs. The Commission's decision to refocus on the need for the appropriate incentives to stimulate public and private investment in digital infrastructure is also welcome and necessary.

As it continues the process of overhauling the European telecoms framework, Vodafone would encourage the Commission to take into account the shortcomings inherent in European digital policy to date as summarised in this report and elsewhere. The vision of Europe as the global leader in the digital age can only be realised through decisive action. Vodafone stands ready to play its part.

The vision of Europe as the global leader in the digital age can only be realised by decisive action. Vodafone stands ready to play its part

46. http://juncker.epp.eu/my-priorities

Czech Republic

In January 2015, the Czech Telecommunication Office confirmed Vodafone as the number one provider of fast mobile internet (3G + 4G)[47], covering 92% of the population

- Vodafone Czech Republic provides services to 3.2 million mobile and 12,000 fixed broadband customers, as of December 2014.
- We are a significant investor in the Czech Republic's digital infrastructure. In the Czech spectrum auction of November 2013, we spent Kč 3,113 million (€118 million) to secure a large portion of frequencies to build the next generation of networks.
- Our 4G coverage now extends to 41% of the Czech Republic's population, complementing our 3G coverage of 77%, as of December 2014.
- In January 2015, the Czech Telecommunication Office confirmed Vodafone as the number one provider of fast mobile internet (3G + 4G)[47], covering 92% of the population. Our investments have led to an increased use of data services by our Czech Republic customers – the total volume of data used by our customers grew by more than two thirds year-on-year in FY2013/14.
- 4G+, which bonds together multiple spectrum blocks to increase mobile data speeds significantly, is also now live in the Czech Republic.
- The Czech Republic was one of the earliest of Vodafone's European markets to launch our One Net service. This improves efficiencies for small and medium businesses by integrating desk phones, mobiles and voicemail, and is now live in 10 European markets.

Key Data FY2013/14

Contribution to Gross Value Added:
Kč 8.68bn / €329m

Direct value added:
Kč 5.55bn / €210m

Indirect value added:
Kč 3.13bn / €119m*

Direct employees (Q4 FY2013/14):
1,909

Male :
51%

Female:
49%

Czech employees:
96%

Total employment supported including indirect employment:
4,112*

Total contribution to public finances:
Kč 5.23bn / €198m

* Estimated

47. http://lte.ctu.cz/pokryti/ and http://www.ctu.cz/aktuality/tiskove-zpravy.html?action=detail&ArticleId=1219

Driving macro-economic growth
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Germany

Vodafone Germany is our largest European operating company with 31.5 million mobile customers, as of December 2014. Bolstered by our €10.7 billion acquisition of Kabel Deutschland in 2013, we also provide fixed broadband services to 5.4 million German customers

- We are a significant investor in Germany's digital infrastructure, spending more than €1.88 billion on our network and services in FY2013/14.
- As of December 2014, our 4G coverage extends to 73% of the German population, complementing our 3G coverage of 94% and our 2G coverage of 100%. Our 4G rollout follows our investment of €1.42 billion in Germany's 2010 spectrum auction.
- Vodafone Germany is our largest European operating company with 31.5 million mobile customers, as of December 2014. Bolstered by our €10.7 billion acquisition of Kabel Deutschland in 2013, we also provide fixed broadband services to 5.4 million German customers
- As part of Project Spring, we continue to make significant improvements. We are committed to investing a total of €4 billion in our German voice and data networks over the two years to March 2016.
- Connect network tests published in December 2014 highlight the significant network improvements made in voice, data and 4G coverage. Across the big cities in Germany, Vodafone now provides the best network voice experience.[48]
- We provide M2M services to leading German car manufacturers, including Audi, BMW, Porsche and Volkswagen.
- In September 2014, we announced a partnership with Dresden University of Technology to research and develop 5G technology as part of a global programme to create the next generation of wireless technology.

Key Data FY2013/14

Contribution to Gross Value Added:
€9.65bn

Direct value added:
€4.03bn

Indirect value added:
€5.62bn*

Direct employees (Q4 FY2013/14):
13,938

Male :
63%

Female:
37%

German employees:
92%

Total employment supported including indirect employment:
69,344*

Total contribution to public finances:
€1.64bn

Investment in network and services:
€1.88bn

Last 5 years (FY2009/10 to FY2013/14) invested
€5.74bn

* Estimated

48. http://www.connect.de/netztest/

Greece

Our fixed-line customer base has grown significantly as a consequence of our acquisition of a majority stake in Hellas Online, a leading provider of broadband and fixed-line telephony, for €72.7 million in November 2014

- Vodafone Greece provides services to 5 million mobile and 475,000 fixed broadband customers, as of December 2014.
- Our fixed-line customer base has grown significantly as a consequence of our acquisition of a majority stake in Hellas Online, a leading provider of broadband and fixed-line telephony, for €72.7 million in November 2014.
- We are a major investor in Greece's digital infrastructure, spending €84 million on our network and services in FY2013/14. As part of Project Spring, our investment in Greece is increasing by a further 40% in the two years to March 2016.
- In 2004, we became Greece's first 3G operator, and in December 2012 we started our 4G rollout with the launch of services in Athens.
- As of December 2014, our 4G coverage extends to 37% of the population and we continue to rollout our network. Our 4G rollout is aided by an investment of €124.5 million in Greece's 2014 spectrum auction. Our 3G coverage reaches 96% of the population.

Key Data FY2013/14

Contribution to Gross Value Added:
€377m

Direct value added:
€272m

Indirect value added:
€105m*

Direct employees:
1,538

Male :
48%

Female:
52%

Greek employees:
99.7%

Total employment supported including indirect employment:[49]
3,104*

Total contribution to public finances:
€225m

Investment in network and services:
€84m

Last 5 years (FY2009/10 to FY2013/14) invested
€569m

* Estimated

49. Greece – indirect employment. The University of Athens produced estimates of the indirect employment contribution of the mobile telecommunications market in Greece for 2012. That study estimated that the sector generated 55,000 jobs indirectly, of which Vodafone accounted for approximately 15,500 (based on its market share). The difference in indirect employment estimates in that study to this study is predominantly driven by the inclusion in the University of Athens study of induced employment (the additional employment generated as a result of spending in the economy of Vodafone's and its suppliers' employees). Induced employment is not included in this study.

Hungary

In November 2014, Hungary became the latest Vodafone country to offer 4G services. 4G started in Budapest, with launches due in 10 major cities during 2015

- Vodafone Hungary provides services to 2.7 million mobile customers, as of December 2014.
- We are a significant investor in Hungary's digital infrastructure. In FY2011/12, we embarked on a major project to modernise our network, helping us to achieve 99.5% 3G coverage and making mobile broadband available to more than 9.5 million people. In late 2014, we invested 30.23 billion HUF in Hungary's 2014 spectrum auction for the rollout of next-generation services.
- In November 2014, Hungary became the latest Vodafone country to start 4G services. 4G was launched in Budapest and, as of December 2014, our coverage extends to 19% of the country's population. We continue to rollout our 4G network, with launches due in 10 major cities during 2015.
- In FY2013/14, we also prioritised the development of our network in 141 small and rural communities, around one fifth of which had no signal coverage at all. By constructing new base stations and enlarging existing ones, the average coverage of these areas has more than doubled.
- We also made a substantial investment to enlarge our regional customer services centre in Miskolc last year. This will lead to an increase in employee numbers from 300 currently to 540, increasing employment in the region and bringing our overall investment in the centre to over 1 billion HUF since 2009.
- Hungary also hosts one of Vodafone's two European shared services centres. Our shared services centre in Budapest supports our worldwide operations, providing financial, administrative, IT and human resource services as well as supply management systems.

Key Data FY2013/14

Contribution to Gross Value Added:
53.68bn HUF / €180m

Direct value added:
38.52bn HUF / €129m

Indirect value added:
15.16bn HUF / €51m*

Direct employees:
2,735

Male :
43%

Female:
57%

Hungarian employees:
95%

Total employment supported including indirect employment:
5,779*

Total contribution to public finances:
38.92bn HUF / €130m

* Estimated

Ireland

In July 2014, we announced a joint venture with ESB, the Irish electricity provider, to invest €450 million in building a fibre-to-the-building broadband network reaching 500,000 premises in 50 towns by the end of 2018

- Vodafone Ireland provides services to more than 2 million mobile customers and 215,000 fixed broadband customers, as of December 2014.
- We are a significant investor in Ireland's digital infrastructure, spending €1 billion on our network and services over the past decade. We continue to upgrade our overall network and, bolstered by Project Spring, plan to invest €550 million in the three years to March 2017.
- As of December 2014, we have the widest 4G coverage in Ireland, with 87% of the population covered. Over 97% is covered by our 3G network. Our 4G rollout follows our investment of €161 million in Ireland's 2012 spectrum auction.
- We are the only operator in Ireland to deliver 4G+ technology. We have increased our High Definition voice coverage to reach 95% of the population, ensuring the best available experience of next-generation audio.
- We are also investing significantly in Ireland's next-generation fixed broadband services. In July 2014, we announced a joint venture with ESB, the Irish electricity provider, to invest €450 million in building a fibre-to-the-building broadband network reaching 500,000 premises in 50 towns by the end of 2018. Offering speeds from 200 Mbps to 1,000 Mbps, this will turn Ireland into one of the world's fastest broadband countries. In addition, it will make Ireland the first country in Europe to utilise existing low voltage electricity infrastructure to deploy fibre directly into homes and businesses.

Key Data FY2013/14

Contribution to Gross Value Added:
€528m

Direct value added:
€376m

Indirect value added:
€152m*

Direct employees:
1,060

Male :
62%

Female:
38%

Irish employees:
92%

Total employment supported including indirect employment:
1,741*

Total contribution to public finances:
€178m

* Estimated

Italy

Supported by Project Spring, we are stepping up our high-speed fibre deployment and aim to reach 6.4 million households (25% of the population)

- Italy is our second largest European market with 25.5 million mobile and 1.8 million fixed broadband customers, as of December 2014. Following our acquisition of Verizon's 23% stake in Vodafone Italy in 2014 for €2.62 billion ($3.5 billion), we now own 100% of the business.[50]
- We are a significant investor in Italy's digital infrastructure, spending €876 million on our network and services in FY2013/14. As part of Project Spring, we have increased this investment and are spending €3.6 billion on next-generation fibre and 4G networks in Italy over the two years to March 2016.
- As of December 2014, our 4G coverage extends to more than 76% of the population. This is aided by our investment of over €1 billion in Italy's 2011 spectrum auction. Our 3G coverage is 96%.
- In November 2014, we announced the launch of our next-generation 4G+ services in 80 Italian cities, rising to more than 110 cities by March 2015. In the cities of Milan, Rome and Ivrea, we have also initiated the first Italian trials of VoLTE.
- Under Project Spring, we are accelerating our high-speed fibre deployment and aim to reach 6.4 million households (25% of the population). In Milan and Bologna, we are the only operator to offer fibre-to-the-home with speeds of up to 300 Mbps.
- In August 2014, we acquired the Milan-headquartered Cobra Automotive Technologies, a leading provider of security and telematics solutions to the automotive and insurance industries, for €145 million. This is helping us to expand our M2M capability beyond connectivity and become a new global provider of connected car services. These include geo-location of vehicles, to aid the location and recovery of stolen vehicles, smart insurance services for insurers and the management of vehicle fleets.

Key Data FY2013/14

Contribution to Gross Value Added:
€4.69bn

Direct value added:[51]
€2.71bn

Indirect value added:[52]
€1.98bn*

Direct employees (Q4 FY2013/14):
6,304

Male :
45%

Female:
55%

Italian employees:
99%

Total employment supported including indirect employment:[53]
24,913*

Total contribution to public finances:
€1.77bn

Investment in network and services:
€876m

Last 5 years (FY2009/10 to FY2013/14) invested[54]
€4.5bn

* Estimated

50. http://www.businesswire.com/news/home/20130902005361/en/VODAFONE-REALISE-US130-BILLION-45-INTEREST-VERIZON (using September 2013 exchange rate of USD/EUR 0.7454)
51. Italy – direct economic contribution. In its Sustainability Report 2014, Vodafone Italy produced its own estimates of its direct economic contribution in terms of gross financial flows to people, enterprises and government based on internal corporate data. These are not calculated on a GVA basis.
52. Italy – indirect economic contribution. In its Sustainability Report 2014, Vodafone Italy produced its own estimates of indirect economic contribution in terms of gross financial flows to stakeholders (e.g. suppliers and employees), people and government based on internal corporate data and estimations of the proportions of suppliers' sales attributable to Vodafone. These are not calculated on a GVA basis and are not estimated using a multiplier for the Italian telecommunications sector derived from National Accounts.
53. Italy – employment. In Vodafone Italy's Sustainability Report 2014, the contribution to employment is stated on a headcount basis, not an FTE basis. The indirect employment is estimated based on internal corporate data and estimations of the proportions of suppliers' sales attributable to Vodafone, not using an employment multiplier for the Italian telecommunications sector derived from National Accounts.
54. Italy – 5 year investment figure. Italy's investment figure is based on the total capex of the Italian operating company (i.e. the full ownership) over the 5 year period.

Malta

Our 4G rollout began in November 2013 and, to date, we are the only mobile operator rolling out a 4G network in Malta

- Vodafone Malta provides services to 309,000 mobile and 2,000 fixed broadband customers, as of December 2014.
- In 2006, Vodafone Malta was first to launch 3G in the country and our coverage is now 99%. We launched fixed broadband based on WiMax technologies in 2007.
- Our 4G rollout began in November 2013. To date, we are the only mobile operator rolling out a 4G network in Malta. Our 4G coverage extends to 67% of the population, as of December 2014.
- Vodafone also operates one of the undersea cables connecting Malta to mainland Europe.

Key Data FY2013/14

Contribution to Gross Value Added:
€51m

Direct value added:
€38m

Indirect value added:
€13m*

Direct employees (Q4 FY2013/14):
304

Male :
53%

Female:
47%

Maltese employees:
98%

Total employment supported including indirect employment:
379*

Total contribution to public finances:
€63m

* Estimated

Netherlands

As of December 2014, our 4G coverage extends to 100% of the Dutch population, the highest of any Vodafone market worldwide

- Vodafone Netherlands provides services to 5.2 million mobile and 56,000 fixed broadband customers, as of December 2014.
- We are a significant investor in the Netherlands' digital infrastructure, spending €274 million on our network and services in FY2013/14. As part of Project Spring, we will invest €248 million on top of our normal annual capital investment in our network and services over the two years to March 2016.
- As of December 2014, our 4G coverage extends to 100% of the Dutch population, the highest of any Vodafone market worldwide. This was achieved in a little over a year after we invested €1.4 billion in the 2013 Dutch spectrum auction. Our 3G coverage is also 100%.
- We continue to innovate, trialling LTE small cells in five cities across the country to increase the capacity of the network at specific locations. We have also increased the speed of the 3G network, giving all data customers download speeds of at least 7.2 Mbps.
- In 2014, we expanded our combined TV, internet and fixed-line offering, Vodafone Thuis, nationwide via DSL, establishing the Netherlands as an important unified communications market for Vodafone.

Key Data FY2013/14

Contribution to Gross Value Added:
€1.43bn

Direct value added:
€849m

Indirect value added:
£584m*

Direct employees (Q4 FY2013/14):
2,975

Male :
61%

Female:
39%

Dutch employees:
94%

Total employment supported including indirect employment:
11,467*

Total contribution to public finances:
€328m

Investment in network and services:
€274m

Last 5 years (FY2009/10 to FY2013/14) invested
€1.22bn

* Estimated

Portugal

As part of Project Spring, we are accelerating the rollout of high-speed fibre-to-the-home to reach 1.5 million Portuguese homes by mid-2015, offering up to 300 Mbps

- Portugal is a leading unified communications market for Vodafone. We provide services to 5.2 million mobile and just under 300,000 fixed broadband customers, of whom around 250,000 are television customers, as of December 2014.
- We are a significant investor in Portugal's digital infrastructure, spending €188 million on our network and services in FY2013/14. Our overall investment in our Portuguese network and services will increase to €500 million over the two years to March 2016.
- As of December 2014, our 4G coverage extends to 88% of the population, the second highest of any Vodafone market worldwide. Our 3G coverage is 99%. Our 4G rollout began in March 2012 following our €146 million investment in the 2011 Portuguese spectrum auction.
- As part of Project Spring, we are accelerating the rollout of high-speed fibre-to-the-home to reach 1.5 million Portuguese homes by mid-2015, offering up to 300 Mbps.
- In July 2014, we announced an agreement with Portugal Telecom to deploy and share fibre networks, reaching 900,000 homes. In combination with our own fibre build, this will enable us to offer high-speed broadband, fixed telephony and television services to around two million homes by the end of 2015.
- Vodafone Portugal has developed a pioneering TV service which has been patented. Called *Live on TV*, it enables users to use an app to live-stream videos from their smartphone to their TV or to five friends at the same time.

Key Data FY2013/14

Contribution to Gross Value Added:
€758m

Direct value added:
€443m

Indirect value added:
€315m*

Direct employees (Q4 FY2013/14):
1,437

Male :
56%

Female:
44%

Portuguese employees:
99%

Total employment supported including indirect employment:
4,910*

Total contribution to public finances:
€200m

Investment in network and services:
€188m

Last 5 years (FY2009/10 to FY2013/14) invested
€890m

* Estimated

Romania

Romania hosts one of Vodafone's two European shared services centres. Located in Bucharest, the centre provides IT and customer relations services for Vodafone's operations in the UK, Germany, Italy, Spain and Ireland

- Vodafone Romania provides services to more than 8 million mobile and 40,000 fixed broadband customers, as of December 2014.
- We are a significant investor in Romania's digital infrastructure, spending €98 million on our network and services in FY2013/14. More than 40% of this was spent on improving radio access, with nearly €10 million spent on improving 3G capacity. As part of Project Spring, we will invest €55 million on top of our normal annual network investment over the two years to March 2016.
- We were first to market in Romania with 3G services in 2006. Following our €230 million investment in the 2012 Romanian spectrum auction, we were also the first operator to commence the rollout of 4G services in November 2012. Our 3G coverage extends to 97% of the population and we continue to rollout our 4G network, which already covers 100% of the population in Romania's top 19 cities.
- In 2014, Romania became the first European country to launch M-Pesa, Vodafone's mobile money transfer and payment service that has transformed the lives of millions of people in emerging markets.
- Romania also hosts one of Vodafone's two European shared services centres. Located in Bucharest, the centre provides IT and customer relations services for Vodafone's operations in the UK, Germany, Italy, Spain and Ireland. The centre will increase employee numbers from 430 to 600 by the end of March 2015. A further 2,000 jobs are expected to be created in the next three years.
- Vodafone also has a network operation centre in Bucharest, employing nearly 500 specialists, which serves our European operations.

Key Data FY2013/14

Contribution to Gross Value Added:
€475m

Direct value added:
€320m

Indirect value added:
£155m*

Direct employees (Q4 FY2013/14):
3,234

Male :
46%

Female:
54%

Romanian employees:
100%

Total employment supported including indirect employment:
8,499*

Total contribution to public finances:
€300m

Investment in network and services:
€98m

Last 5 years (FY2009/10 to FY2013/14) invested
€541m

* Estimated

Spain

We announced in July 2014 our agreement to co-invest in building fibre to reach two million homes by the end of 2015

- Vodafone Spain provides services to 14.8 million mobile customers and, boosted by our acquisition of Grupo Corporativo Ono for €7.2 billion in 2014, to 2.8 million fixed broadband customers, as of December 2014.
- Ono has the largest next-generation network in Spain passing approximately 7.4 million homes with high-speed broadband.
- We are a significant investor in Spain's digital infrastructure. In FY2013/14, we invested more than €600 million in our network and services – up 31% on the previous year. As part of Project Spring, we will invest €640 million on top of our normal annual capital investment in our network over the two years to March 2016.
- Following our €528 million investment in Spain's 2011 spectrum auction, we were the first operator to launch 4G services. As of December 2014, our 4G coverage extends to 69% of the population. We continue to expand our 4G network to cover all Spanish provinces, complementing our 3G coverage of more than 99%.
- In September 2014, we announced the launch of 4G+ in Madrid, Barcelona and Valencia and plan to extend this to other cities over time. In addition, we've built VoLTE technology into our network to enable customers to enjoy HD voice calls.
- We announced in July 2014 our agreement with Orange to co-invest in building fibre-to-the-home. This should allow us to reach two million homes by the end of 2015. Our customers are increasingly buying multiple services, making Spain a leading unified communications market for Vodafone.
- We are additionally investing in our retail presence, allocating €105 million to revamp 752 points of sale before March 2017.

Key Data FY2013/14

Contribution to Gross Value Added:
€1.92bn

Direct value added:[55]
€1.15bn

Indirect value added:[56]
€770m*

Direct employees (Q4 FY2013/14):
3,595

Male :
57%

Female:
43%

Spanish employees:
98%

Total employment supported including indirect employment:[57]
8,253*

Total contribution to public finances:
€536m

Investment in network and services:
€608m

Last 5 years (FY2009/10 to FY2013/14) invested
€2.79bn

* Estimated

55. Spain – direct economic contribution. In its Annual Integrated Report 2013-14, Vodafone Spain produced its own estimates of indirect economic contribution. These are not calculated on a GVA basis. Instead, Vodafone Spain has estimated the gross financial flows from Vodafone Spain to employees, enterprises and Public Administration.
56. Spain – indirect economic contribution. Vodafone Spain has produced its own estimates of its indirect economic contribution. These are not calculated on a GVA basis. Furthermore, the indirect economic contributions are not estimated using a multiplier for the Spanish telecommunications sector derived from National Accounts. Indirect impacts are estimated by Vodafone Spain based on estimations of the proportions of suppliers' sales attributable to Vodafone.
57. Spain – indirect employment. Vodafone Spain's estimation of indirect employment used a different methodology to that employed in this study. The indirect employment contributions are not estimated using an employment multiplier for the Spanish telecommunications sector derived from National Accounts. They are estimated based on the number of external personnel working in Logistics, Call Centres, Sales, Fixed Unit, Technology and other outsourced personnel. Vodafone Spain estimates indirect employment for FY2013/14 of 19,048 FTEs.

UK

The Vodafone Rural Open Sure Signal programme will give 100 remote communities high quality 3G coverage for the first time. This is achieved by using innovative femtocell technology to provide coverage in locations where traditional networks are not possible

- Vodafone UK provides services to just under 20 million mobile customers, as of December 2014. Following our acquisition of Cable and Wireless Worldwide for £1.1 billion in 2012, we have 64,000 fixed broadband enterprise customers. We have announced plans to launch consumer fixed broadband services from spring 2015.
- We are a significant investor in the UK's digital infrastructure. Vodafone UK invested nearly £1 billion in our UK network and services in FY2013/14 (£1.25 billion including Vodafone Group) – up from £601 million the previous year. As part of Project Spring, we are committed to maintaining this investment level for two further years.
- We launched our 4G services in August 2013 following our £802 million investment in the UK spectrum auction. As of December 2014, our 4G coverage extends to 57% of the population, complementing our 94% 3G coverage.
- We recently announced the nationwide provisioning of HD Voice technology, which provides customers with compatible mobiles with the best call quality available, and also the rollout of 4G+ in around 400 UK towns and cities as well as in thousands of smaller communities.
- In rural areas, the Vodafone Rural Open Sure Signal programme will give 100 remote communities high quality 3G coverage for the first time. This is achieved by using innovative femtocell technology to provide coverage in locations where traditional networks are not possible.
- We are also investing in the UK's High Streets. Since April 2014, we have increased the number of our branded UK outlets to more than 500. This has created 1,400 new jobs across the UK as part of a £100 million retail investment programme.

Key Data FY2013/14

Contribution to Gross Value Added:
£2.78bn / €3.31bn

Direct value added:
£1.92bn / €2.28bn

Indirect value added:
£863m* / €1.03bn

Direct employees (Q4 FY2013/14):
15,252

Male :
66%

Female:
34%

UK employees:
92%

Total employment supported including indirect employment:
28,285*

Total contribution to public finances:
£1bn / €1.2bn

Investment in network and services:
£1.25bn / €1.49bn

Last 5 years (FY2009/10 to FY2013/14) invested
£3.12bn / €3.68bn

* Estimated

KPMG key notes and assumptions

Scope of the study

Vodafone has operating companies providing telecommunications services directly to customers in 12 EU countries: the Czech Republic, Germany, Greece, Hungary, Ireland, Italy, Malta, Netherlands, Portugal, Romania, Spain and the United Kingdom. Though not analysed in this study, it is worth noting that Vodafone's footprint in Europe as a whole extends beyond these 12 countries, either through direct operations beyond the scope of the study, or through partner market network agreements.

KPMG has analysed the contribution Vodafone makes to economic activity through each of their operating companies, both at the country level and in aggregate at the EU level. We do not analyse Vodafone's partner market operations.

Vodafone owns 100% of each its EU operating companies in the 12 markets listed above and so their economic activities and contributions are fully attributable to Vodafone. During the course of FY2013/14 (the year on which our economic contribution analysis is based), Vodafone increased its ownership of Vodafone Italy from 77% to 100%.[1] For the purposes of this study, we have included the value of all of Vodafone Italy's economic contribution to reflect this current ownership position.[2]

In addition to Vodafone's mobile and fixed networks presence in the EU, it also provides other operations from various countries, including a number of functions that provide services across the Group (known as "Common Functions"). These Common Functions form part of the Vodafone Group business and include:

- Vodafone Group Services (VGS);
- a shared service centre in Hungary;
- Vodafone Roaming Services (VRS) and Vodafone Procurement Centre (VPC) in Luxembourg[3] and
- other Common Functions which fall outside of the EU.

KPMG's economic contribution calculations for each of Vodafone's 12 EU operating companies captures the activity of the operating company itself, plus the proportion of Vodafone's Common Functions located within each respective EU country.

As Vodafone does not operate a mobile network in Luxembourg, its economic activities in its Luxembourg subsidiaries are not analysed individually, at the country level, in this study. However the economic contribution associated with VRS is taken in to account in the EU level analysis given that it forms part of Vodafone's business in the EU and its activity contributes to the EU economy. The economic contribution of VPC is not captured, in order to avoid double counting, as the operating companies are recharged for the services VPC provides, and thus the activity is already captured within the operating companies' income statements.

The analysis does capture the full contribution of the Hungarian shared service centre in the country level analysis for Hungary and at the EU level. In July 2014 Vodafone opened a new shared service centre in Romania. The analysis does not capture the contribution of the Romanian shared service centre as it was opened after the timeframe for the analysis in this report.

The majority of Vodafone Group Services (VGS) is based in the UK, with smaller operations also located in Germany, Ireland and outside of Europe. There is a single income statement for VGS; however, using Vodafone's financial reporting systems, it has been possible to estimate the proportion of costs and revenues of VGS attributed to each country of operation, for the purposes of the analysis. The proportion of VGS revenues, costs and capex attributable to each country/region is shown in the table below.

	Revenue	Cost of Sales	Payroll Opex	Other non-payroll Opex	Capex
Germany	0.2%	0.0%	18.5%	14.7%	42.4%
UK	95.5%	85.2%	71.3%	81.1%	50.7%
Ireland	1.0%	0.0%	0.4%	1.4%	4.7%
Other EU	0.7%	3.6%	0.8%	0.2%	0.0%
Total EU	97.3%	88.8%	91.0%	97.4%	97.8%
Non-EU	2.7%	11.2%	9.0%	2.6%	2.2%

The relevant proportion of VGS activity for each of these countries is included in our GVA analysis and investment analysis for the relevant country and is present in the EU-level analysis. A small proportion of VGS activities is provided outside of the EU; this is excluded from our analysis to ensure that only the proportion of VGS that relates to EU activity is included.

Timeframe for the analysis

In our analysis, we measure Vodafone's economic contribution for the Financial Year (FY) 2013/14, which runs from 1st April 2013 to 31st March 2014. This is the latest full year of information available at the time of producing the analysis.

The report also includes customer information, 3G and 4G outdoor population coverage percentages and other relevant information from Vodafone's Q3 2014/15 financial results.

Calculating Vodafone's economic contribution

Our analysis of Vodafone's economic contribution is shown in gross terms. We have not assessed the net contribution of Vodafone to the EU economy. Therefore, the analysis does not take in to account how the resources would have been used and people employed if Vodafone did not exist.

Vodafone's direct economic contribution in terms of GVA and employment is assessed using Vodafone's own data, available from its financial and human resources systems. The data contained in the financial accounts is prepared on an accruals basis for the financial year and so does not relate to cash spent in the year. Employment figures represent the position in FTE terms as at year end FY2013/14.

1. This occurred in September 2013, as part of the sale of Vodafone's interest in Verizon Wireless to Verizon.
2. In the Vodafone Group Plc Annual Report and Accounts 2014, Vodafone Italy is included at 77% ownership. This explains any discrepancies between the Italy figures reported in the Annual Report and Accounts 2014 and those reported in this study.
3. Vodafone employs 300 people in its Luxembourg headquarters who manage the financing of many of its international operating companies as well as Vodafone Procurement Company (VPC), which oversees more than €13 billion of global purchasing contracts, and the international roaming team (VRS), which manages 627 international roaming agreements.

In our analysis, care has been taken to avoid double-counting, where, for example, payments are made between Vodafone operating companies and between the operating companies and the Common Functions. In general, these payments are already accounted for within the individual income statements and the costs for these in one income statement are offset by revenues in another income statement, with the net effect being zero.

We are aware, however, of reconciliations made in the accounts from the country-level income statements to the Europe-level income statements to deal with small accounting differences and the low levels of purchasing and sales across EU operating companies. As a result, the GVA calculations at the country level (based on the country income statements) may slightly overestimate the GVA. It is not possible to attribute these accounting reconciliations to individual operating companies for the purposes of this study. However, the value of where we have been unable to fully reconcile the country and EU wide figures is small, at less than 0.2% of total revenues and less than 0.3% of total costs. We do not consider that this will have a material impact on the analysis at the country level and the reconciliations are taken in to account in the EU level GVA calculations.[4]

Vodafone's indirect economic contribution in each of the 12 EU countries has been calculated using GVA multipliers and employment multipliers for the relevant telecommunications market. These multipliers were generated from analytical input-output tables and employment data available from Eurostat, broken down to the 64 industry classification level. The input-output tables used relate to 2010 – the most recent available.

To contextualise the contribution that Vodafone makes to the EU economy, economic data from a number of external public sources is presented. It should be noted that these data do not always correspond to the equivalent year of Vodafone analysis where data availability prevented this. These data generally also refer to calendar years as opposed to financial years.

Vodafone's direct and indirect contribution to public finances is reported on a cash basis. As a result, tax contribution figures published in this report are not comparable to those published in Vodafone's financial statements contained within its Annual Report and Accounts.

Exchange rates

For consistency with the Vodafone Group Plc Annual Report 2014 and the reporting of Vodafone's performance, the same euro to GBP, to CZH and to HUF exchanges rates have been used. All other exchange rates were sourced from Oanda and the average exchange rate for the year of the relevant analysis is used.

Currency	Exchange Rate
Euro/GB Pound (€/£)	1.19
Euro/Czech Koruna (€/CZK)	26.37
Euro/Hungarian Forint (€/HUF)	298.64
€/USD	1.33

Data sources and timeframes

The analysis is based on data from a range of sources, both internal to Vodafone and publicly available information. The table below sets out the key statistics included in the study, the sources for these, and notes about the data, primarily highlighting the timeframe the data relates to.

Statistic	Source	Notes
Vodafone market data including: customer numbers, 4G coverage	Internal Vodafone data	Figures correct as of Q3 2014/15 (December 2014)
Vodafone financial and HR data including: service revenue, capex, employment, contribution to public finances	Internal Vodafone data	Figures correct as of FY2013/14 (March 2014)
Industry wide data including: network coverage by population	GSMA Intelligence data	Figures correct as of Q3 2014
Industry wide data including: ARPU and ARPC	GSMA Intelligence data	Figures correct as of Q2 2014
Unique subscribers	GSMA Intelligence data	Actuals: Q4 2014 Forecasts: Q4 2020 (figures sourced in Q4 2014)
Fixed broadband connections	ITU data	Actuals: 2000-2013
Mobile data and internet traffic	Cisco	Actuals: 2007-2013 Forecasts: 2014-2018 (figures sourced Q4 2014)
Total telecoms investment	Economist Intelligence Unit	Actuals: 2013
Telecoms employment	Eurostat	Actuals: 2012
EU employment	Eurostat	Actuals: Q1 2014
Input-output tables	Eurostat	2010
Direct GVA	KPMG analysis based on Vodafone data	Data relates to FY2013/14
Indirect GVA	KPMG analysis based on Vodafone data and Eurostat input-output tables	Vodafone data relates to FY2013/14. The input-output tables relates to 2010
Indirect employment	KPMG analysis based on Vodafone data, Eurostat input-output tables and employment figures	2012 employment figures are used in the derivation of the multipliers

4. Due to the use of the Europe income statement which accounts for these reconciliations, rather than using the sum of the individual country income statements.

About Vodafone

Vodafone is one of the world's largest telecommunications companies and provides a range of services including voice, messaging, data and fixed communications. Vodafone has mobile operations in 26 countries, partners with mobile networks in 54 more, and fixed broadband operations in 17 markets. As of 31 December 2014, Vodafone had 444 million mobile customers and 11.8 million fixed broadband customers.

For more information, please visit: www.vodafone.com

About KPMG

KPMG is a global network of professional services firms providing audit, tax and advisory services to a wide variety of public and private sector organisations. We operate in 155 countries and have 158,000 people working in member firms around the world.

The KPMG team undertaking this work sits within KPMG's global Economics and Regulation Practice. Our economists, regulatory specialists and competition experts are trusted by governments, regulators and corporates globally to help clients safely navigate today's fast-paced business landscapes.

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