

Our strategy

Deepening customer engagement

Europe Consumer

Our goals

Selling 'one more product' per customer, lowering churn through convergence

We aim to drive growth in the Europe Consumer segment by developing deeper customer relationships, with a strong focus on our existing base.

We intend to do this by:

- cross-selling more products (e.g. broadband, family SIMs, TV)
- up-selling new experiences (such as tiered offers based on quality of service and/or higher speeds, low latency mobile gaming services, and a wide range of Consumer IoT devices)

Our priorities:

- increase revenue per customer
- significantly lower churn through convergence

We have Europe's largest NGN footprint – providing us with a significant platform for growth

The demand for NGN broadband (i.e. via fibre or cable) in Europe is growing rapidly. Over the next five years, the number of households with NGN services is expected to increase by more than 40 million as consumers migrate from legacy DSL to gigabit capable technologies. This equates to over 120 million NGN households by 2024.

Having created Europe's largest NGN footprint, this shift towards NGN represents a significant window of opportunity for Vodafone to capture substantial and profitable market share gains. We are capitalising on this opportunity, adding 719,000 broadband customers, including 1.5 million NGN customers, this year taking our total European broadband customer base to 18.8 million (including VodafoneZiggo).

During 2019, we also continued to expand our NGN footprint. On a pro forma basis for the acquisition of Liberty Global's cable assets, we now cover 122 million marketable households, an increase of 8 million in the year. Within this, 54 million households are on our fully owned network ('on-net') including VodafoneZiggo in the Netherlands, and a further 9 million are covered through strategic partnership agreements where we have attractive access terms.

With the potential to offer superior gigabit-speeds via DOCSIS 3.1 on cable and via FTTH to most of these homes in the next few years, we see significant scope to increase our on-net broadband customer penetration, which is currently 28%.

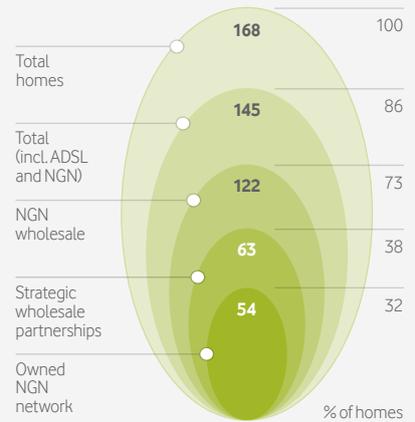
Driving convergence and lowering churn

By gaining scale in fixed, we further deepen our relationship with customers through upselling converged offers and additional services. Our commercial momentum in convergence has accelerated this year having added 1.1 million customers. In total, we now have 6.6 million² converged consumer customers in Europe. Convergence contributed to a record low mobile contract churn rate in Europe of 15.5%. The opportunity to grow our converged base remains significant with only 40% of our consumer broadband base in Europe currently taking both fixed and mobile products from Vodafone.

5G brings further opportunities

We intend to launch 5G services in-line with leading local competitors during calendar 2019 and 2020, with an initial focus on dense urban areas. While the immediate benefit from 5G is the ability to significantly lower the cost per gigabyte on our network, there are also a number of potential revenue opportunities in the Consumer segment.

European marketable homes¹ million



Strengthening our reach and economics

Germany and CEE acquisition

- Constructive discussions with EC continue
- 300Mbps wholesale cable access agreement with Telefónica Deutschland
- On track to complete in July

Strategic partnerships

- Open Fiber >3 million homes passed
- Network sharing agreement with Orange, expanding homes passed by an additional 1 million, opportunity to co-invest

Gigabit upgrades (DOCSIS 3.1)

- Spain complete
- Germany 66% of current footprint
- Netherlands underway

Upselling more products and services

Incremental churn benefit through convergence and additional services

European mobile contract churn improvement (%)



Notes:

1 On a pro forma basis including Liberty Global's assets.
2 Including VodafoneZiggo.

These include Quality of Service ('QoS') differentiation and opportunities for low latency mobile gaming, with an estimated 157 million³ users forecast by 2025, fixed wireless access (in select rural/semi-rural areas), and a range of potential Consumer IoT devices and applications that will be supported by our 'V by Vodafone' global platform.

Europe's leading TV and content distribution platform

Post the acquisition of Liberty Global's cable assets we will have one of Europe's leading TV and content platforms with 22 million active users. Over time, by having one fully integrated, scaled TV and content platform across our European markets we will become an attractive partner of choice for content providers, who by agreeing commercial terms at a Group level gain the ability to distribute their content easily via one platform across our markets.

Our content strategy is to be an aggregator and distributor of content, working closely with national and international partners, rather than an owner or creator of unique content which requires a different skill set and focus. This was reflected in our decision earlier this year not to renew football rights in Spain, as it was uneconomic to do so and the potential to grow our football customer base was limited.



Our purpose in action

Through our Gigabit networks we believe we can build a digital society that helps improve people's lives. We are committed to investing in our network infrastructure and coverage to deliver a high-quality service that allows individuals and businesses to connect confidently anywhere and at any time.

This year, a report published by the UK Department for Digital, Culture, Media and Sport ('DCMS') set out a number of benefits that high-speed internet (such as 5G) can have on the economy. These include:

- increased consumer value by enabling innovative apps and services, particularly those which feature Augmented Reality ('AR') and Virtual Reality ('VR')
- productivity gains, such as faster download times and enabling the ability to work in-transit
- reduced carbon emissions – through supporting the large-scale deployment of IoT technologies across sectors (see page 38 for more information).

By connecting over **350 million people to our Gigabit networks by 2025** we want to support our customers, both individuals and businesses, to realise these benefits.

MyVodafone app – our platform for deeper customer engagement

The 'MyVodafone' app now has 25 million active users each month. As well as providing convenient and highly cost effective digital customer service, the app is increasingly becoming a key distribution platform for marketing new personalised commercial offers, loyalty schemes and additional services directly to our customers, deepening their engagement with Vodafone. For example, in Italy the Vodafone 'Happy' loyalty scheme now has over 9 million subscribers, who receive free offers from commercial partners every Friday. Participating partners provide these offers free of charge to Vodafone, given the opportunity to engage directly with our customer base.

Performance in 2019

Overall, Europe Consumer service revenues declined by 1.1%⁴, with fixed growth of 2.6%⁴ offset by a mobile decline of 2.4%⁴. Excluding Spain and Italy, service revenues grew by 2.7%⁴, with fixed growth of 5.2%⁴ and mobile growing by 1.7%⁴.

Notes:

- 3 Global Gaming Report 2018, Newzoo Research, forecasting mobile gaming population in Germany, Italy, the UK and Spain.
- 4 Excluding UK handset financing and one-off settlements.

5G opportunities

The potential for high speed, high capacity, low latency services – providing our customers with a broader and richer experience.



Quality of Service ('QoS')

We are investing in the capability to provide differentiated quality of service to different customer segments, allowing us to prioritise critical applications such as medical devices. By doing so we will be able to guarantee a minimum quality of service that specifically meets our customers' needs and unlocks potential monetisation opportunities.



Consumer IoT

We are already well positioned in Consumer IoT having launched 'V by Vodafone' in 2017. This leverages on our market leading global IoT platform in Vodafone Business. Today we provide a range of smart services in the home and on the go, enabling our customers to keep track of the things they care about. However, we now see an exciting opportunity with 5G to offer low latency services to customers, as they add a range of wearables and other connected devices to their accounts. This is a sizeable long-term market opportunity where we are targeting market share gains.



Fixed Wireless Access ('FWA')

We believe there is a niche opportunity for FWA in Europe, principally in areas outside the reach of fixed NGN networks. In these areas population density is typically low, supporting a viable business case. We will be looking to offer targeted FWA propositions across several of our markets as 5G is rolled out.



E-gaming

We see this as a significant area of future growth, with gamers increasingly wanting fast, 'real-time' internet access, to support services such as low latency mobile multiplayer gaming. To further strengthen our commitment to this growing segment, we are a premium partner of the ESL, the world's largest e-sports company.